

If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail.

DISCLAIMER

Attached please find an electronic copy of the offering circular dated December 6, 2005 (the "Offering Circular") relating to the offering by Lenox CDO, Ltd. and Lenox CDO, Inc. of certain notes, combination securities and preference shares (the "Offering").

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

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

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

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

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

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, RECIPIENTS OF THIS OFFERING CIRCULAR AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENTS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. HOWEVER, 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 THE TAX STRUCTURE OR TAX TREATMENT) OF THIS OFFERING.

OFFERING CIRCULAR

U.S.\$70,000,000 Class A-1S First Priority Senior Secured Floating Rate Delayed Draw Notes due 2043
U.S.\$75,000,000 Class A-1J Second Priority Senior Secured Floating Rate Notes due 2043
U.S.\$2,000,000 Class A-2 Third Priority Senior Secured Floating Rate Notes due 2043
U.S.\$31,000,000 Class B-1 Fourth Priority Senior Secured Floating Rate Notes due 2043
U.S.\$14,000,000 Class B-2 Fourth Priority Senior Secured Fixed Rate Notes due 2043
U.S.\$8,000,000 Class C Fifth Priority Senior Secured Floating Rate Notes due 2043
U.S.\$10,000,000 Class D Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes due 2043
U.S.\$4,000,000 Class E-1 Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes due 2043
U.S.\$16,000,000 Class E-2 Seventh Priority Mezzanine Secured Deferrable Fixed Rate Notes due 2043
25,000 Preference Shares with an Aggregate Liquidation Preference of U.S.\$25,000,000
U.S.\$30,000,000 Combination Securities due 2043

Backed by a Portfolio of CBO/CLO Securities, other Asset-Backed Securities and Related Synthetic Securities

Lenox CDO, Ltd. **Lenox CDO, Inc.**

Lenox CDO, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Issuer"), and Lenox CDO, Inc., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), will issue U.S.\$70,000,000 Class A-1S First Priority Senior Secured Floating Rate Delayed Draw Notes due 2043 (the "Class A-1S Notes"), U.S.\$75,000,000 Class A-1J Second Priority Senior Secured Floating Rate Notes due 2043 (the "Class A-1J Notes" and, together with the Class A-1S Notes, the "Class A-1 Notes"), U.S.\$2,000,000 Class A-2 Third Priority Senior Secured Floating Rate Notes due 2043 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"), U.S.\$31,000,000 Class B-1 Fourth Priority Senior Secured Floating Rate Notes due 2043 (the "Class B-1 Notes"), U.S.\$14,000,000 Class B-2 Fourth Priority Senior Secured Fixed Rate Notes due 2043 (the "Class B-2 Notes" which includes the Class B-2 component of the Combination Securities and which, together with the Class B-1 Notes, comprise the "Class B Notes"), U.S.\$8,000,000 Class C Fifth Priority Senior Secured Floating Rate Notes due 2043 (the "Class C Notes"), U.S.\$10,000,000 Class D Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes due 2043 (the "Class D Notes"), U.S.\$4,000,000 Class E-1 Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes due 2043 (the "Class E-1 Notes"), U.S.\$16,000,000 Class E-2 Seventh Priority Mezzanine Secured Deferrable Fixed Rate Notes due 2043 (the "Class E-2 Notes" which includes the Class E-2 component of the Combination Securities and which, together with the Class E-1 Notes, comprise the "Class E Notes") and the Combination Securities, consisting of a component representing U.S.\$14,000,000 aggregate outstanding principal amount of Class B-2 Notes (the "Class B-2 Note Component") and a component representing U.S.\$16,000,000 aggregate outstanding principal amount of Class E-2 Notes (the "Class E-2 Note Component") pursuant to the Indenture. The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are herein referred to as the "Notes". The Notes will be issued and secured pursuant to an Indenture dated as of the Closing Date (the "Indenture") between the Issuer, the Co-Issuer and JPMorgan Chase Bank, National Association, a national banking association, as trustee (the "Trustee"). Concurrently with the issuance of the Notes, the Issuer will issue 25,000 Preference Shares with an aggregate liquidation preference of U.S.\$25,000,000 (as more fully described herein, the "Preference Shares") pursuant to the Amended and Restated Memorandum of Association of the Issuer (the "Issuer Charter") and in accordance with a Preference Share Paying Agency Agreement dated as of the Closing Date (the "Preference Share Paying Agency Agreement") between the Issuer and JPMorgan Chase Bank, National Association, a national banking association, 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"). The Notes, Combination Securities and the Preference Shares being offered hereby are referred to herein as the "Offered Securities." Dynamic Credit Partners, LLC will act as Collateral Manager for the Issuer:

DYNAMIC CREDIT PARTNERS, LLC

It is a condition to the issuance of the Offered Securities that the Class A-1S Notes, the Class A-1J Notes and the Class A-2 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" and each a "Rating Agency"), that the Class B-1 Notes and the Class B-2 Notes be rated "Aa1" by Moody's and "AA" by Standard & Poor's, that the Class C Notes be rated "Aa2" by Moody's and "AA-" by Standard & Poor's, that the Class D Notes be rated "A1" by Moody's and "A" by Standard & Poor's, that the Class E-1 Notes and the Class E-2 Notes be rated "Baa1" by Moody's and "BBB" by Standard & Poor's and that the Combination Securities be rated "Aa2" as to the ultimate receipt of the Combination Security Rated Balance (adjusted from time to time as described herein). The Issuer has not requested that any Rating Agency assign a rating to the Preference Shares.

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

THE OFFERED SECURITIES BEING OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), UNDER APPLICABLE STATE SECURITIES LAWS OR UNDER THE LAWS OF ANY OTHER JURISDICTION 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, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. NEITHER THE ISSUER NOR THE CO-ISSUER HAVE BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, IN RELIANCE ON THE EXEMPTION PROVIDED BY SECTION 3(c)(7) THEREOF. THE OFFERED SECURITIES ARE BEING OFFERED (A) IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO QUALIFIED PURCHASERS (AS DEFINED HEREIN) WHO ARE ALSO (I) "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (II) ACCREDITED INVESTORS WITHIN THE MEANING OF RULE 501(a) UNDER THE SECURITIES ACT; PROVIDED THAT SUCH ACCREDITED INVESTORS ARE NOT NATURAL PERSONS, ESTATES OR TRUSTS; AND (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S). PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE OFFERED SECURITIES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. EACH ORIGINAL PURCHASER OF A NOTE WILL BE DEEMED TO MAKE, AND EACH ORIGINAL PURCHASER OF A COMBINATION SECURITY OR A PREFERENCE SHARE BY ITS EXECUTION OF AN INVESTOR APPLICATION FORM (AN "INVESTOR APPLICATION FORM") WILL MAKE OR BE DEEMED TO MAKE, CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS, WARRANTIES AND CERTIFICATIONS. SEE "TRANSFER RESTRICTIONS."

The Offered Securities are offered through Merrill Lynch, Pierce, Fenner & Smith Incorporated and its affiliates (in such capacity, together with such affiliates, the "Initial Purchaser"), subject to prior sale, when, as and if issued. Sales of the Offered Securities to purchasers in the United States will be made through Merrill Lynch, Pierce, Fenner & Smith Incorporated. The Offered Securities will be offered by the Initial Purchaser to prospective investors from time to time in individually negotiated transactions at varying prices to be determined at the time of sale. The Initial Purchaser reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that the Offered Securities will be delivered on or about December 8, 2005 (the "Closing Date"), in the case of the Notes, the Regulation S Global Combination Securities and the Regulation S Global Preference Shares, through the facilities of The Depository Trust Company ("DTC") and in the case of the Definitive Preference Shares,

in the offices of counsel to the Initial Purchaser, against payment therefor in immediately available funds. It is a condition to the issuance of the Offered Securities that all Offered Securities are issued concurrently. Application has been made to the Irish Stock Exchange for the Notes (other than the Class A-1 Notes) to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. Application will be made to the Channel Islands Stock Exchange LBG (the "CISX") for the listing of and permission to deal in the Preference Shares and the Combination Securities. There can be no assurance that any such listing will be granted. See "General Information."

Merrill Lynch & Co.

Sole Manager

The date of this Offering Circular is December 6, 2005.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

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

THE NOTES ARE LIMITED RECOURSE OBLIGATIONS OF THE CO-ISSUERS AND THE COMBINATION SECURITIES ARE LIMITED RECOURSE OBLIGATIONS OF THE ISSUER. THE NOTES ARE PAYABLE SOLELY FROM THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED BY THE ISSUER TO SECURE THE NOTES. THE COMBINATION SECURITIES ARE PAYABLE SOLELY FROM AMOUNTS RECEIVED IN RESPECT OF THE UNDERLYING NOTE COMPONENTS. 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 CASHFLOW SWAP COUNTERPARTY, ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PERSON OR ENTITY WILL BE OBLIGATED TO MAKE PAYMENTS ON THE NOTES OR COMBINATION SECURITIES. CONSEQUENTLY, THE NOTEHOLDERS MUST RELY SOLELY ON AMOUNTS RECEIVED IN RESPECT OF THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED TO SECURE THE NOTES FOR THE PAYMENT OF PRINCIPAL THEREOF AND INTEREST AND

COMMITMENT FEE THEREON AND COMBINATION SECURITYHOLDERS MUST RELY SOLELY ON AMOUNTS RECEIVED IN RESPECT OF THE UNDERLYING NOTE COMPONENTS.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, RECIPIENTS OF THIS OFFERING CIRCULAR AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENTS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. HOWEVER, 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.

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

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

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

This Offering Circular has been prepared by the Co-Issuers solely for use in connection with the offering of the Offered Securities described herein (the "Offering"). The Co-Issuers have taken all reasonable care to confirm that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect and that there are no other facts relating to the Co-Issuers or the Offered Securities, the omission of which makes this Offering Circular as a whole or any such information contained herein, in light of the circumstances under which it was made, misleading in any material respect. The Co-Issuers accept responsibility for the information contained in this document accordingly. To the best knowledge and belief of the Co-Issuers the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Co-Issuers disclaim any obligation to update such information and do not intend to do so. Neither the Initial Purchaser nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein. Neither the Collateral Manager nor any of its affiliates makes any representation or warranty as to, has

independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein (other than the information set forth herein describing the Collateral Manager). No Hedge Counterparty, any of its respective guarantors nor any of its respective affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein other than the information set forth herein describing the Cashflow Swap Counterparty (to the extent described under "Security for the Notes—The Cashflow Swap Counterparty and the Basis Swap Counterparty"). Neither the Cashflow Swap Counterparty, the Basis Swap Counterparty nor any of their affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein other than the information set forth herein describing the Cashflow Swap Counterparty or the Basis Swap Counterparty (to the extent described under "Security for the Notes—The Cashflow Swap Counterparty and Basis Swap Counterparty"). No other party to the transactions described herein makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein. Nothing contained in this Offering Circular is or should be relied upon as a promise or representation as to future results or events. The Trustee has not participated in the preparation of this Offering Circular and assumes no responsibility for its contents.

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

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

Neither the admission of the Preference Shares or Combination Securities to the Official List of the CISX nor the approval of this Offering Circular pursuant to the listing requirements of the CISX shall constitute a warranty or representation by the CISX as to the competence of the service providers to or any other party connected with the Co-Issuers, the adequacy and accuracy of information contained in this Offering Circular or the suitability of the Co-Issuers for investment or any other purpose. Ogier Corporate Finance Limited is acting for the Issuer and for no one else in connection with the listing of the Preference Shares and the Combination Securities and will not be responsible to anyone other than the Issuer.

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

Notwithstanding the foregoing, (i) each purchaser of Class A-1S Notes will be deemed to (a) make the representations set forth in the Class A-1S Notes Supplement and (b) acknowledge that the Class A-1S Notes may not be reoffered, resold, pledged or otherwise transferred except as described in the Class A-1S Notes Supplement and (ii) each purchaser of Class A-1J Notes will be deemed to (a) make the representations set forth in the Class A-1J Notes Supplement and (b) acknowledge that the Class A-1J Notes may not be reoffered, resold, pledged or otherwise transferred except as described in the Class A-1J Notes Supplement. The Class A-1S Notes Supplement will be delivered to each purchaser of Class A-1S Notes and the Class A-1J Notes Supplement will be delivered to each purchaser of Class A-1J Notes. For a description of other restrictions on offers and sales of the Offered Securities, see "Transfer Restrictions."

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. If the Initial Purchaser commences any market-making, the Initial Purchaser may discontinue the same at any time. There can be no assurance that a secondary market for any

Class of the Notes, the Combination Securities or the Preference Shares will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity of investment or that it will continue for the life of such Offered Securities.

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

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

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

NOTICE TO FLORIDA RESIDENTS

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

NOTICE TO CONNECTICUT RESIDENTS

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

NOTICE TO GEORGIA RESIDENTS

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

NOTICE TO RESIDENTS OF AUSTRIA

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS UNDER THE AUSTRIAN CAPITAL MARKETS ACT OR THE AUSTRIAN INVESTMENT FUNDS ACT. THIS OFFERING CIRCULAR HAS NOT BEEN EXAMINED BY A PROSPECTUS AUDITOR AND NO PROSPECTUS ON THE PRIVATE PLACEMENT OF THE OFFERED SECURITIES HAS BEEN PUBLISHED OR WILL BE PUBLISHED IN AUSTRIA. THE OFFERED SECURITIES ARE OFFERED IN AUSTRIA ONLY TO A RESTRICTED AND SELECTED NUMBER OF PROFESSIONAL AND SOPHISTICATED INDIVIDUAL INVESTORS, AND NO PUBLIC OFFERING OF THE OFFERED SECURITIES IN AUSTRIA IS BEING MADE OR IS INTENDED TO BE MADE. THE OFFERED SECURITIES CAN ONLY BE ACQUIRED FOR A COMMITMENT EXCEEDING ATS 600,000 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 OFFERED 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 OFFERED 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 MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS

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

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 SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE THE SECURITIES, AS THE SAME MAY BE VARIED IN THAT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT MEMBER STATE AND THE EXPRESSION "PROSPECTUS DIRECTIVE" MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT MEMBER STATE.

NOTICE TO RESIDENTS OF 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 OFFERED 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 FINLAND

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

NOTICE TO RESIDENTS OF FRANCE

THE OFFERED SECURITIES HAVE NOT BEEN AND WILL NOT BE OFFERED, MARKETING, DISTRIBUTED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY IN THE REPUBLIC OF FRANCE OR TO THE PUBLIC IN THE REPUBLIC OF FRANCE OTHER THAN TO QUALIFIED INVESTORS (*INVESTISSEURS QUALIFIES*) ACTING FOR THEIR OWN ACCOUNT AND/OR A LIMITED CIRCLE OF INVESTORS (*CERCLE RESTREINT D'INVESTISSEURS*), ALL AS DEFINED IN AND IN ACCORDANCE WITH ARTICLE L. 411-2 OF THE FRENCH CODE *MONÉTAIRE ET FINANCIER* AND *DÉCRET* NO. 98-880 DATED 1 OCTOBER 1998.

THE OFFERED SECURITIES WILL NOT BE SUBJECT TO ANY APPROVAL BY OR REGISTRATION (VISA) WITH THE FRENCH *AUTORITÉ DES MARCHÉS FINANCIERS*.

THE DIRECT OR INDIRECT OFFER, MARKETING, DISTRIBUTION, SALE, RE-SALE OR OTHER TRANSFER OF THE OFFERED SECURITIES TO THE PUBLIC IN THE REPUBLIC OF FRANCE MUST COMPLY WITH ARTICLES L. 411-1, L.411-2, L.412-1 AND L.621-8 OF THE FRENCH CODE *MONÉTAIRE ET FINANCIER*.

IN RESPECT OF OFFERED SECURITIES OFFERED, MARKETING, DISTRIBUTED SOLD, RESOLD OR OTHERWISE TRANSFERRED TO A LIMITED CIRCLE OF MORE THAN 100 INVESTORS (*CERCLE RESTREINT D'INVESTISSEURS*) IN THE REPUBLIC OF FRANCE, EACH INVESTOR IN SUCH LIMITED CIRCLE OF INVESTORS (*CERCLE RESTREINT D'INVESTISSEURS*) MUST CERTIFY HIS/HER PERSONAL, PROFESSIONAL OR FAMILY RELATIONSHIP WITH ONE OF THE DIRECTORS.

NOTICE TO RESIDENTS OF GERMANY

THE OFFERED 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 THE INVESTMENTSTEUERGESETZ (THE "GERMAN INVESTMENT TAX ACT") FOR GERMAN TAX PURPOSES. IN THIS REGARD, PROSPECTIVE INVESTORS MUST REVIEW "RISK FACTORS-APPLICATION OF THE GERMAN INVESTMENT ACT AND THE GERMAN INVESTMENT TAX ACT." 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 SECURITIES IN HONG KONG BY MEANS OF THIS OFFERING CIRCULAR OR ANY OTHER DOCUMENT OTHERWISE THAN TO PERSONS WHOSE ORDINARY BUSINESS IT IS TO BUY OR SELL 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 OFFERING CIRCULAR OR ANY OTHER ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE OFFERED SECURITIES OTHER THAN (I) IN RESPECT OF OFFERED 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 JAPAN

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

NOTICE TO RESIDENTS OF THE NETHERLANDS

THE OFFERED SECURITIES 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 SINGAPORE

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

NOTICE TO RESIDENTS OF SWITZERLAND

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

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with the sale of the Offered Securities, each of the Co-Issuers (or the Issuer, in the case of the Preference Shares and the Combination Securities) 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 neither a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b)

under the Exchange Act. Such information may be obtained from (a) in the case of the Notes or Combination Securities, the Trustee or (b) in the case of the Preference Shares, the Preference Share Paying Agent.

TABLE OF CONTENTS

SUMMARY	1
CERTAIN GENERAL TERMS	1
GENERAL TERMS OF THE NOTES	3
GENERAL TERMS OF THE COMBINATION SECURITIES.....	8
GENERAL TERMS OF THE PREFERENCE SHARES	9
DESCRIPTION OF THE COLLATERAL.....	9
RISK FACTORS	12
DESCRIPTION OF THE NOTES.....	56
STATUS AND SECURITY	56
DRAWDOWN.....	57
INTEREST.....	58
COMMITMENT FEE ON CLASS A-1S NOTES.....	61
PRINCIPAL.....	62
SUBSTITUTION PERIOD.....	63
MANDATORY REDEMPTION.....	63
AUCTION CALL REDEMPTION.....	63
OPTIONAL REDEMPTION AND TAX REDEMPTION	65
REDEMPTION PROCEDURES	65
REDEMPTION PRICE.....	66
CANCELLATION.....	67
PAYMENTS	67
PRIORITY OF PAYMENTS.....	67
THE COVERAGE TESTS	73
NO GROSS-UP	76
THE INDENTURE	76
DESCRIPTION OF THE COMBINATION SECURITIES.....	86
OVERVIEW	86
RATING	86
REPORTING	87
RISK FACTORS.....	87
AUTHORIZED AMOUNT	88
STATUS AND SECURITY	88
INTEREST.....	88
AGGREGATE OUTSTANDING PRINCIPAL AMOUNT AND STATED MATURITY	88
DENOMINATIONS.....	88

PAYMENTS	89
REDEMPTION OF COMBINATION SECURITIES	89
FORM GENERALLY	90
EXECUTION, AUTHENTICATION, DELIVERY AND DATING	90
REGISTRATION, TRANSFER AND EXCHANGE OF COMBINATION SECURITIES; EXCHANGE FOR UNDERLYING NOTE COMPONENTS	91
PAYING AGENTS	96
NOTICES	96
GOVERNING LAW	96
TAX CHARACTERIZATION	96
DESCRIPTION OF THE PREFERENCE SHARES	97
STATUS	97
DISTRIBUTIONS	97
OPTIONAL REDEMPTION OF THE PREFERENCE SHARES	98
THE ISSUER CHARTER	98
PETITIONS FOR BANKRUPTCY	100
GOVERNING LAW	100
NO GROSS-UP	100
TAX CHARACTERIZATION	100
FORM, DENOMINATION, REGISTRATION AND TRANSFER	101
FORM OF NOTES AND PREFERENCE SHARES	101
TRANSFER AND EXCHANGE OF NOTES	102
TRANSFER AND EXCHANGE OF PREFERENCE SHARES	103
GENERAL	104
COMBINATION SECURITIES	105
USE OF PROCEEDS	106
RATINGS OF THE OFFERED SECURITIES	107
MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS	108
THE CO-ISSUERS	109
GENERAL	109
CAPITALIZATION AND INDEBTEDNESS OF THE ISSUER	110
BUSINESS	110
SECURITY FOR THE NOTES	112
GENERAL	112
ELIGIBILITY CRITERIA	112
SYNTHETIC SECURITIES	118
THE INITIAL SYNTHETIC SECURITY COUNTERPARTY	119

THE COLLATERAL QUALITY TESTS	119
STANDARD & POOR'S CDO MONITOR TEST.....	128
DISPOSITIONS OF COLLATERAL DEBT SECURITIES	131
THE HEDGE AGREEMENTS; THE BASIS SWAP; THE UP FRONT PAYMENT	134
THE CASHFLOW SWAP AGREEMENT	139
THE CASHFLOW SWAP COUNTERPARTY AND THE BASIS SWAP COUNTERPARTY	144
THE ACCOUNTS	144
THE COLLATERAL MANAGER	151
DYNAMIC CREDIT PARTNERS, LLC.....	151
DYNAMIC CREDIT KEY PERSONNEL.....	151
THE COLLATERAL MANAGEMENT AGREEMENT	153
GENERAL	153
AMENDMENT OF THE COLLATERAL MANAGEMENT AGREEMENT	153
CONFLICTS OF INTEREST	153
TERMINATION OF THE COLLATERAL MANAGEMENT AGREEMENT	156
FEES	157
PORTFOLIO CONSULTING AGREEMENT	158
INCOME TAX CONSIDERATIONS.....	159
ERISA CONSIDERATIONS	168
PLAN OF DISTRIBUTION.....	173
CERTAIN SELLING RESTRICTIONS	173
UNITED STATES.....	173
UNITED KINGDOM.....	174
CAYMAN ISLANDS.....	174
GENERAL	174
CLEARING SYSTEMS.....	175
GLOBAL SECURITIES AND GLOBAL COMBINATION SECURITIES	175
PAYMENTS OR DISTRIBUTIONS.....	175
TRANSFERS AND EXCHANGES FOR DEFINITIVE SECURITIES	175
CROSS-BORDER TRANSFERS AND EXCHANGES	176
DTC, EUROCLEAR AND CLEARSTREAM	176
TRANSFER RESTRICTIONS.....	178
REPRESENTATIONS BY ORIGINAL PURCHASER	178
INVESTOR REPRESENTATIONS ON RESALE	192
GENERAL INFORMATION.....	194
LEGAL MATTERS	196
GLOSSARY OF CERTAIN DEFINED TERMS.....	197

SCHEDULE A MOODY'S AND STANDARD & POOR'S RECOVERY RATE MATRICES	233
SCHEDULE B STANDARD & POOR'S ASSET CLASSES	237
SCHEDULE C STANDARD & POOR'S TYPES OF ASSET-BACKED SECURITIES INELIGIBLE FOR NOTCHING	239
SCHEDULE D STANDARD & POOR'S NOTCHING OF ASSET-BACKED SECURITIES	240
SCHEDULE E TABLE OF MOODY'S ASSET CLASSES	242
EXHIBIT A FORM OF PURCHASER AND TRANSFEREE LETTER FOR REGULATION S GLOBAL PREFERENCE SHARES.....	243
INDEX OF CERTAIN DEFINED TERMS	246

SUMMARY

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

Certain General Terms

<i>Issuer:</i>	Lenox CDO, Ltd.
<i>Co-Issuer (with respect to the Notes only):</i>	Lenox CDO, Inc.
<i>Collateral Manager:</i>	Dynamic Credit Partners, LLC (the "Collateral Manager" or "Dynamic Credit")
<i>Initial Purchaser:</i>	Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting in its individual capacity and through its affiliates. Sales of the Offered Securities to purchasers in the United States will be made through Merrill Lynch, Pierce, Fenner & Smith Incorporated.
<i>Trustee/Custodian/Preference Share Paying Agent:</i>	JPMorgan Chase Bank, National Association, a national banking association.
<i>Closing Date:</i>	December 8, 2005
<i>Ramp-Up Completion Date:</i>	The date that is the earlier of (a) April 14, 2006 and (b) the first day on which the aggregate Principal Balance of the Pledged Collateral Debt Securities <u>plus</u> the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account is at least equal to U.S.\$250,000,000 (in each case, assuming for these purposes (i) settlement in accordance with customary settlement procedures in the relevant markets on the Ramp-Up Completion Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Ramp-Up Completion Date and (ii) that each such Collateral Debt Security is a Pledged Collateral Debt Security) (such date, the "Ramp-Up Completion Date").
<i>Quarterly Distribution Dates:</i>	February 14, May 14, August 14 and November 14 of each calendar year (adjusted as described herein in the case of non-Business Days), commencing on May 14, 2006.
<i>Expected Proceeds:</i>	<p>The gross proceeds from the issuance and sale of the Offered Securities (including the proceeds of the issuance of the Combination Securities to the extent of the Underlying Note Components), together with the Up Front Payment to be made to the Issuer under the Basis Swap, are expected to be approximately U.S.\$259,000,000 (after giving effect to and assuming the making of all Borrowings under the Class A-1S Notes after the Closing Date) and the anticipated gross proceeds as of the Closing Date will be approximately U.S.\$189,000,000.</p> <p>The net proceeds from the issuance of the Offered Securities (including the proceeds of the issuance of the Combination Securities to the extent of the Underlying Note Components) (after giving effect</p>

to and assuming the making of all Borrowings under the Class A-1S Notes after the Closing Date), together with the Up Front Payment to be made to the Issuer under the Basis Swap, are expected to be approximately U.S.\$251,000,000, which reflects the payment from such gross proceeds of (i) the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager, (ii) the expenses, fees and commissions incurred in connection with the acquisition by the Issuer on the Closing Date of Collateral Debt Securities included in the portfolio, (iii) the expenses of offering the Offered Securities (including placement agency fees and structuring fees) and (iv) the initial deposits into the Expense Account and the Interest Reserve Account.

Use of Proceeds:

The net proceeds of the offering will be used by the Issuer primarily to purchase during the period from the Closing Date to the Ramp-Up Completion Date a diversified portfolio of CBO/CLO Securities, Other ABS, Guaranteed Debt Securities and Synthetic Securities the Reference Obligations of which may be CBO/CLO Securities, Other ABS, Guaranteed Debt Securities or a specified pool or index of financial assets that, in each case, satisfy the investment criteria set forth in the Indenture and described herein. On the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an aggregate Principal Balance of not less than U.S.\$163,000,000. The portfolio is expected to consist primarily of CBO/CLO Securities. A majority of the portfolio (by aggregate Principal Balance) is expected to have ratings which are below investment grade.

General Terms of the Notes

	Security	Principal Amount	Stated Maturity on the Quarterly Distribution Date in	Interest Rate	Ratings (Moody's/S&P)
1.	Class A-1S First Priority Senior Secured Floating Rate Delayed Draw Notes ¹	U.S.\$70,000,000	November 2043	Up to LIBOR ⁴ + 1.00% ²	Aaa/AAA
2.	Class A-1J Second Priority Senior Secured Floating Rate Notes	U.S.\$75,000,000	November 2043	Up to LIBOR ⁴ + 1.00% ³	Aaa/AAA
3.	Class A-2 Third Priority Senior Secured Floating Rate Notes	U.S.\$2,000,000	November 2043	LIBOR ⁴ + 0.60%	Aaa/AAA
4.	Class B-1 Fourth Priority Senior Secured Floating Rate Notes	U.S.\$31,000,000	November 2043	LIBOR ⁴ + 0.75%	Aa1/AA
5.	Class B-2 Fourth Priority Senior Secured Fixed Rate Notes	U.S.\$14,000,000	November 2043	5.58%	Aa1/AA
6.	Class C Fifth Priority Senior Secured Floating Rate Notes	U.S.\$8,000,000	November 2043	LIBOR ⁴ + 1.05%	Aa2/AA-
7.	Class D Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes	U.S.\$10,000,000	November 2043	LIBOR ⁴ + 2.00% ⁵	A1/A
8.	Class E-1 Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes	U.S.\$4,000,000	November 2043	LIBOR ⁴ + 3.50% ⁵	Baa1/BBB
9.	Class E-2 Seventh Priority Mezzanine Secured Deferrable Fixed Rate Notes	U.S.\$16,000,000	November 2043	8.32% ⁵	Baa1/BBB

¹ All Class A-1S Notes will be issued on the Closing Date. None of the principal amount of the Class A-1S Notes will be advanced on the Closing Date and a single advance may be made under the Class A-1S Notes after the Closing Date as provided in the Class A-1S Note Purchase Agreement.

² This includes the Class A-1S Other Amounts. See the applicable Class A-1 Notes Supplement.

³ This includes the Class A-1J Other Amounts. See the applicable Class A-1 Notes Supplement.

⁴ Except as otherwise described herein and (in the case of the Class A-1 Notes) in the Class A-1 Notes Supplement, LIBOR is three-month LIBOR calculated as described herein and calculated on the basis of a year of 360 days and the actual number of days elapsed.

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

<i>Minimum Denomination:</i>	U.S.\$250,000 (and integral multiples of U.S.\$1,000 in excess thereof).
<i>Drawdown of the Class A-1S Notes:</i>	<p>Pursuant to a Class A-1S Note Purchase Agreement dated as of the Closing Date (the "Class A-1S Note Purchase Agreement") among the Issuer, the Co-Issuer, the Trustee, Merrill Lynch, Pierce, Fenner & Smith Incorporated as distribution agent and the Class A-1S Noteholders (or the Liquidity Provider(s) with respect to any such holder), the Class A-1S Noteholders will commit to make an advance, on April 14, 2006, under the Class A-1S Notes, on and subject to the terms and conditions specified therein, <i>provided</i> that the aggregate principal amount advanced under the Class A-1S Notes will not exceed \$70,000,000. See "Description of the Notes—Drawdown—Class A-1S Notes."</p> <p>Prior to the Commitment Period Termination Date, each Class A-1S Noteholder will be required to satisfy the Rating Criteria. If any Class A-1S Noteholder fails at any time prior to the Commitment Period Termination Date to comply with the Rating Criteria, then such holder will (i) transfer all rights and obligations in respect of all Class A-1S Notes held by such holder to a person that satisfies the Rating Criteria on the date of such transfer, (ii) enter into an agreement with the Co-Issuers providing for the posting of collateral, the terms and conditions of which satisfy the Issuer and which agreement satisfies the Rating Condition or (iii) cause a Class A-1S Noteholder Prepayment Account to be established, credit to such Class A-1S Noteholder Prepayment Account Cash or Eligible Prepayment Account Investments, the aggregate outstanding principal amount of which is equal to such Holder's Unfunded Commitment at such time and enter into a Noteholder Prepayment Account Control Agreement in relation to such account. See "Description of the Notes—Drawdown—Class A-1S Notes."</p>
<i>Security for the Notes:</i>	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 for the benefit of the holders from time to time of the Notes, the Combination Securities (to the extent of the Underlying Note Components), the Collateral Manager, the Trustee, each Hedge Counterparty and the Cashflow Swap Counterparty (collectively, the "Secured Parties") pursuant to the Indenture. See "Description of the Notes—Status and Security."
<i>Interest Payments:</i>	Interest on the Notes will accrue from the Closing Date (or, with respect to any Borrowing under the Class A-1S Notes after the Closing Date, from the date of such Borrowing). Accrued and unpaid interest will be payable on each Quarterly Distribution Date if and to the extent funds are available on such Quarterly Distribution Date in accordance with the Priority of Payments.
<i>Commitment Fee on the Class A-1S Notes:</i>	A commitment fee ("Commitment Fee") will accrue on the unfunded Commitments for each day from and including the Closing Date to but excluding the date the unfunded Commitments are reduced to zero, at a rate per annum equal to 0.05%. The Commitment Fee will be payable to the Class A-1S Noteholders quarterly in arrears on each Quarterly Distribution Date and will rank <i>pari passu</i> with the payment of interest on the Class A-1S Notes. The Commitment Fee

will be computed on the basis of a 360-day year and the actual number of days elapsed. No Class of Notes other than the Class A-1S Notes will be entitled to a Commitment Fee. See "Description of the Notes—Commitment Fee on Class A-1S Notes."

Cashflow Swap Agreement:

The Issuer will on the Closing Date enter into a Cashflow Swap Agreement with respect to the Class A Notes, Class B Notes and Class C Notes (such agreement, and any replacement therefor entered into in accordance with the Indenture, the "Cashflow Swap Agreement") with AIG Financial Products Corp., a Delaware corporation (the "Cashflow Swap Counterparty").

On any Quarterly Distribution Date (so long as any Class A Notes, Class B Notes or Class C Notes are outstanding), the Issuer will be entitled to require the Cashflow Swap Counterparty to make a payment under the Cashflow Swap Agreement of an amount equal to the lesser of (i) the excess of the full amount of interest and Commitment Fee (in the case of the Class A-1S Notes) payable on the Class A-1S Notes (or, if the Basis Swap is in effect, the gross amount payable by the Issuer to the Basis Swap Counterparty, without taking into account any netting provision), Class A-1J Notes, Class A-2 Notes, Class B-1 Notes, Class B-2 Notes and Class C Notes pursuant to the Priority of Payments on such Quarterly Distribution Date (without regard to any limitation on such amount by reason of any lack of Interest Proceeds or Principal Proceeds) over the amount of Interest Proceeds and Principal Proceeds available on such Quarterly Distribution Date under the Priority of Payments (without regard to payments to be made under the Cashflow Swap Agreement) to make such payments (the "Interest Shortfall Amount") and (ii) the aggregate amount of all scheduled interest payments on any PIK Bonds that were, during the Due Period related to such Quarterly Distribution Date, deferred or paid "in-kind" in accordance with the terms of such PIK Bonds where such deferral or payment "in-kind" does not constitute an event of default pursuant to the related Underlying Instruments (the "Deferred Interest PIK Amount") (which amount shall not include any amounts attributable to a Deferred Interest PIK Bond that has been a Deferred Interest PIK Bond for two consecutive years (a "Specified Deferred Interest PIK Bond") or a Defaulted Security); *provided* that such amount shall not be greater than an amount that, when added to the sum of all prior payments made by the Cashflow Swap Counterparty minus the amount of all reimbursed payments (in each case, exclusive of any accrued interest) received from the Issuer, would exceed the Cashflow Swap Cap Amount. In exchange for the foregoing agreement of the Cashflow Swap Counterparty, the Cashflow Swap Counterparty will be entitled to reimbursement of amounts paid and to receive certain interest and fees from the Issuer, all in accordance with the Priority of Payments. See "The Cashflow Swap Agreement."

Substitution Period:

The "Substitution Period" is the period from (and including) the Closing Date to (but excluding) the earliest of (a) the Quarterly Distribution Date occurring in February, 2009, (b) the Quarterly Distribution Date on which the Collateral Manager specifies that no further investments in substitute Collateral Debt Securities will occur, (c) the date of termination of such period as provided in the Indenture

by reason of the occurrence of an Event of Default, (d) the first Measurement Date on which the Moody's Maximum Rating Distribution of the Pledged Collateral Debt Securities is greater than 800, (e) the date on which the rating of (i) any of the Class A-1S Notes, the Class A-1J Notes, the Class A-2 Notes, the Class B-1 Notes, the Class B-2 Notes, or the Class C Notes has been reduced by one or more rating subcategories below the rating assigned to such Notes on the Closing Date or withdrawn or (ii) any of the Class D Notes, the Class E-1 Notes or the Class E-2 Notes has been reduced by two or more rating subcategories below the rating assigned to such Notes on the Closing Date or withdrawn, in each case by one or both Rating Agencies or (f) following the resignation or termination of Dynamic Credit as the Collateral Manager, the date on which the holders of 66-2/3% of the outstanding principal amount of the Notes of the Controlling Class elects to terminate the Substitution Period.

Provided that no Event of Default has occurred and is continuing, during the Substitution Period, the Sale Proceeds (other than accrued interest treated as Interest Proceeds) of any Pledged Collateral Debt Security that is not a Defaulted Security, Deferred Interest PIK Bond or Equity Security may be reinvested in substitute Collateral Debt Securities in compliance with the Eligibility Criteria and the Indenture. See "Description of the Notes—Substitution Period."

Principal Repayment:

During the Substitution Period, only Specified Principal Proceeds will be used on the next succeeding Quarterly Distribution Date to pay principal of each Class of the Notes and certain other amounts in accordance with the Priority of Payments.

After the last day of the Substitution Period, all Principal Proceeds will be applied on each Quarterly Distribution Date to pay principal of each Class of Notes and certain other amounts in accordance with the Priority of Payments.

On any Quarterly Distribution Date which occurs during a Pro Rata Pay Period, Principal Proceeds will be applied in accordance with the Priority of Payments, to pay (i) first, *pro rata*, the principal amount of the Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B Notes and the Class C Notes in an aggregate amount up to the Class A/B/C Pro Rata Principal Payment Cap, (ii) second, the principal amount of the Class D Notes (including any Class D Deferred Interest Amount) in an amount up to the Class D Pro Rata Principal Payment Cap and (iii) third, the principal amount of the Class E Notes. However, Interest Proceeds and Principal Proceeds will be applied to cure a breach of a Coverage Test in the priority described in the third succeeding paragraph.

On any Quarterly Distribution Date which occurs during a Sequential Pay Period, principal of the Notes will be paid in direct order of seniority, with the principal of Class A-1S Notes being paid in full prior to the payment of principal of Class A-1J Notes, the principal of Class A-1J Notes being paid in full prior to the payment of principal of Class A-2 Notes, the principal of Class A-2 Notes being paid in full prior to the payment of the principal of Class B Notes, the principal of Class B Notes being paid in full prior to the payment of the principal of Class C Notes, the principal of Class C Notes being paid in full prior to the payment of the principal of Class D Notes and the principal of Class D Notes being paid in full prior to the payment

of the principal of Class E Notes.

A Sequential Pay Period will commence on the earliest to occur of (a) the first date on which the aggregate Principal Balance of all Pledged Collateral Debt Securities held by the Issuer is less than 50% of the Net Outstanding Portfolio Collateral Balance as of the Ramp-Up Completion Date, (b) any Determination Date on which the Class A/B/C Overcollateralization Test is not satisfied and Principal Proceeds are applied on the related Quarterly Distribution Date pursuant to the Principal Proceeds Waterfall to cure (in part or in whole) the breach of the Class A/B/C Overcollateralization Test, (c) any Determination Date on which an Event of Default which has occurred and is continuing and (d) any Determination Date on which the Class A/B/C Sequential Pay Test is not satisfied; *provided* that if a Sequential Pay Period has commenced pursuant to clause (c), such Sequential Pay Period will end on the date the Event of Default has been cured (unless the Notes have been declared due and payable).

To the extent necessary to cure a breach of a Coverage Test (i) in the case of the breach of a Class E Coverage Test (if any Notes remain Outstanding), (a) Interest Proceeds will be applied to pay *first*, any Class E-1 Deferred Interest Amount and Class E-2 Deferred Interest Amount, *pro rata*, *second*, principal of the Class E-1 and the Class E-2 Notes, *pro rata*, *third*, any Class D Deferred Interest Amount, *fourth*, principal of the Class D Notes, *fifth*, principal of the Class C Notes, *sixth*, principal of the Class B-1 and the Class B-2 Notes, *pro rata*, *seventh*, principal of the Class A-2 Notes, *eighth*, principal of the Class A-1J Notes and *ninth*, principal of the Class A-1S Notes and (b) if necessary, Principal Proceeds will be applied to pay principal of the Notes sequentially in direct order of Seniority, (ii) in the case of the breach of a Class D Coverage Test and if any Class A Notes, Class B Notes, Class C Notes or Class D Notes remain outstanding, (a) Interest Proceeds will be applied to pay *first*, any Class D Deferred Interest Amount, *second*, principal of the Class D Notes, *third*, principal of the Class C Notes, *fourth*, principal of the Class B-2 Notes and Class B-1 Notes, *pro rata*, *fifth*, principal of the Class A-2 Notes, *sixth*, principal of the Class A-1J Notes and, *seventh*, principal of the Class A-1S Notes and (b) if necessary, Principal Proceeds will be applied to pay principal of, the Notes sequentially in direct order of Seniority; and (iii) in the case of a breach of a Class A/B/C Coverage Test, Interest Proceeds (and, if necessary, Principal Proceeds) will be applied to pay principal of *first*, the Class A-1S Notes, *second*, the Class A-1J Notes, *third*, the Class A-2 Notes, *fourth*, the Class B-1 Notes and the Class B-2 Notes, *pro rata*, and *fifth*, the Class C Notes.

Mandatory Redemption:

Each Class of Notes shall, on any Quarterly Distribution Date occurring after the Ramp-Up Completion Date, be subject to mandatory redemption if any applicable Coverage Test is not satisfied on the related Determination Date. Any such redemption will be effected from Interest Proceeds and Principal Proceeds as described below under "Description of the Notes—Priority of Payments."

If there is a Rating Confirmation Failure, as described under "Description of the Notes—Mandatory Redemption," the Issuer will be required to apply on the first Quarterly Distribution Date following the Ramp-Up Completion Date, Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient, 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 *first*, the Class A-1S Notes, *second*, the Class A-1J Notes, *third*, the Class A-2 Notes, *fourth*, the Class B-1 Notes and the Class B-2 Notes, *pro rata*, *fifth*, the Class C Notes, *sixth*, the Class D Notes, including any Class D Deferred Interest Amount and *seventh*, the Class E-1 Notes and the Class E-2 Notes *pro rata*, including any Class E-1 Deferred Interest Amount and Class E-2 Deferred Interest Amount, in each case, to the extent necessary to obtain a Rating Confirmation from each Rating Agency.

Early Redemption:

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

Irish Listing:

Application has been made to the Irish Stock Exchange for the Notes (other than the Class A-1 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 application will be granted. No application will be made to list the Notes on any other stock exchange. If any Class or Classes of Notes are admitted to the Daily Official List of the Irish Stock Exchange, the Issuer may at any time terminate the listing of such Class or Classes of 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). The Class A-1 Notes will not be listed on any stock exchange. See "General Information."

*Irish Listing Agent;
Irish Paying Agent:*

McCann FitzGerald Listing Services Limited is expected to be the Irish Listing Agent and Custom House Administration and Corporate Services Limited is expected to be the Irish Paying Agent (in such capacities, the "Irish Listing Agent," and the "Irish Paying Agent", respectively).

General Terms of the Combination Securities

Security	Principal Amount	Stated Maturity on the Quarterly Distribution Date in:	Moody's Rating
Combination Securities	U.S.\$30,000,000	November 2043	Aa2

A summary of the terms applicable to the Combination Securities is set forth in the section of this Offering Circular entitled "Description of the Combination Securities."

General Terms of the Preference Shares

<i>Aggregate Liquidation Preference:</i>	U.S.\$25,000,000 (U.S.\$1,000 per share).
<i>Rating:</i>	The Issuer has not requested that any Rating Agency assign a rating to the Preference Shares.
<i>Minimum Trading Lot:</i>	250 Preference Shares (U.S.\$250,000 aggregate liquidation preference) (and increments of one Preference Share in excess thereof) as described under "Form, Denomination, Registration and Transfer."
<i>Status:</i>	The Preference Shares will constitute part of the issued share capital of the Issuer and will not be secured.
<i>Distributions:</i>	On each Quarterly Distribution Date, to the extent funds are available therefor, Interest Proceeds remaining after the payment of interest on the Notes and certain other amounts in accordance with the Priority of Payments will be paid to the Preference Share Paying Agent for distribution to the holders of the Preference Shares (the "Preference Shareholders"). After the Notes have been paid in full, Principal Proceeds remaining after the payment of certain other amounts will be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders. The Preference Share Paying Agent will distribute any funds received by it for distribution to the Preference Shareholders on the date on which such funds are received, subject to certain conditions set forth in the Preference Share Paying Agency Agreement and provisions of Cayman Islands law governing the declaration and payment of dividends.
<i>Redemption of the Preference Shares:</i>	The Preference Shares are expected to be redeemed following the Stated Maturity of the Notes unless redeemed prior thereto in connection with an Optional Redemption, Tax Redemption or Auction Call Redemption. Following the liquidation of the Collateral, any funds remaining after the redemption of the Notes and the payment of all other obligations of the Co-Issuers (other than amounts payable by the Issuer in respect of the Preference Shares) will be distributed to the Preference Shareholders and the Preference Shares will be redeemed.
<i>CISX Listing:</i>	Application will be made to the Channel Islands Stock Exchange LBG (the "CISX") to admit the Preference Shares and the Combination Securities to the Official List of the CISX. There can be no assurance that such application will be granted. No application will be made to list the Preference Shares or Combination Securities on any other stock exchange. If any Preference Shares or Combination Securities are admitted to the Official List of the CISX, the Issuer may at any time terminate the listing of such Preference Shares or Combination Securities, 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).
<i>CISX Sponsor:</i>	Ogier Corporate Finance Limited.

Description of the Collateral

<i>General:</i>	The Notes and the Combination Securities (to the extent of any Underlying Note Components) (together with the Issuer's obligations to
-----------------	---

the Secured Parties) will be secured by (i) the Custodial Account and all of the Collateral Debt Securities and Equity Securities credited to such account, (ii) the Interest Collection Account, the Uninvested Proceeds Account, the Principal Collection Account, the Payment Account, the Expense Account, the Interest Reserve Account, the Semi-Annual Interest Reserve Account, each Hedge Counterparty Collateral Account, the Cashflow Swap Counterparty Collateral Account, each Synthetic Security Counterparty Account, each Synthetic Security Issuer Account, each Class A-1S Noteholder Prepayment 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, (iii) the rights of the Issuer under each Hedge Agreement, (iv) the rights of the Issuer under the Cashflow Swap Agreement, (v) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Investor Application Forms and the Class A-1S Note Purchase Agreement, (vi) all Cash delivered to the Trustee, and (vii) all proceeds, accessions, profits, income, benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses (collectively, the "Collateral"). The security interest granted under the Indenture in each Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account.

Acquisition and Disposition of Collateral Debt Securities:

It is anticipated that, on the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an aggregate Principal Balance of not less than U.S.\$163,000,000. It is anticipated that, no later than the Ramp-Up Completion Date the aggregate Principal Balance of the Pledged Collateral Debt Securities plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account will be at least equal to U.S.\$250,000,000 (in each case, assuming for these purposes (i) settlement in accordance with customary settlement procedures in the relevant markets on the Ramp-Up Completion Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Ramp-Up Completion Date and (ii) that each such Collateral Debt Security is a Pledged Collateral Debt Security).

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

No commitments to purchase Collateral Debt Securities will be made after the last day of the Substitution Period except, if the Substitution Period ends before April 14, 2006, Collateral Debt Securities to be purchased by the Issuer from MLI pursuant to the Master Forward Sale Agreement. No investments in Collateral Debt Securities will be made from Specified Principal Proceeds.

After the last day of the Substitution Period, the Collateral Manager will not be entitled to direct the Trustee to sell Collateral Debt Securities, except in the limited circumstances described herein under "Disposition of Collateral Debt Securities."

RISK FACTORS

An investment in the Offered Securities involves certain risks. Prospective investors should carefully consider the following factors and the "Risk Factors" in the final Offering Circular, in addition to the matters set forth elsewhere in this Offering Circular, prior to investing in the Offered Securities. Prospective investors in the Class A-1 Notes should also review the applicable Class A-1 Notes Supplement.

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

Limited-Recourse Obligations. 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 Collateral Manager, the Administrator, any Rating Agency, the Share Trustee, the Initial Purchaser, any of their respective affiliates or any other person or entity will be obligated to make payments on the Notes. Consequently, the Noteholders must rely solely on amounts received in respect of the Collateral Debt Securities and other Collateral pledged to secure the Notes for the payment of principal thereof and interest and Commitment Fee thereon. There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Notes will be sufficient to make payments on any Class of Notes, in particular after making payments on more Senior Classes of Notes and certain other required amounts ranking Senior to any such Class. The ability of the Co-Issuers 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 such deficiency and, following liquidation of all the Collateral, the obligations of the Co-Issuers to pay such deficiency will be extinguished and will not thereafter revive. The Preference Shares will be part of the issued share capital of the Issuer and will not be secured.

Risk of Loss. An investment in securities such as the Offered Securities involves a significant risk that the purchaser of a Note or Preference Share may lose some or all of their investment.

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 and Commitment Fee (with respect to the Class A-1S Notes) on each Class of Notes that is Senior to such Class and that remain outstanding have been paid in full. No payment of interest will be made on the Class A-2 Notes, Class B Notes or Class C Notes until all scheduled payments due from the Issuer to the Basis Swap Counterparty under the Basis Swap have been paid in full. Except as otherwise described in the Priority of Payments, with respect to the application of Interest Proceeds following a failure to satisfy any Class D Coverage Test or any Class E Coverage Test, during a Sequential Pay Period no payment of principal of any Class of Notes will be made until all principal of, and all accrued and unpaid interest and Commitment Fee (with respect to the Class A-1S Notes) on, each Class of Notes that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Notes—Priority of Payments." So long as any Class A-1S Notes, Class A-1J Notes, Class B Notes or Class C Notes are outstanding, the failure on any Quarterly Distribution Date to make a payment in respect of interest on the Class D Notes or the Class E Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class D Notes and the Class E Notes that is not paid when due by operation of the Priority of Payments will be deferred. In the event of any realization on the Collateral, proceeds will be allocated to the Notes and other amounts in accordance with the Priority of Payments prior to any distribution to the Preference Shareholders. See "Description of the Notes—The Indenture" and "—Priority of Payments." Remedies pursued by the holders of the Class or Classes of Notes entitled to determine the exercise of such remedies could be adverse to the interest of the

holders of the other Classes of Notes. To the extent that any losses are suffered by any of the holders of any Offered Securities, such losses will be borne, *first*, by the holders of the Preference Shares, *second*, by the holders of the Class E Notes, *third*, by the holders of the Class D Notes, *fourth*, by the holders of the Class C Notes, *fifth*, by the holders of the Class B Notes, *sixth*, by the holders of the Class A-2 Notes, *seventh*, by the holders of the Class A-1J Notes and *eighth*, by the holders of the Class A-1S Notes.

Subordination of the Preference Shares. There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Notes will be sufficient to make payments on the Preference Shares after making the payments that rank senior to distributions in respect of the Preference Shares. Payments of Excess Interest in respect of the Preference Shares are fully subordinated on each Quarterly Distribution Date to (i) the payment of fees and expenses of the Issuer, the Trustee, the Collateral Manager, the Collateral Administrator, the Preference Share Paying Agent and other Persons to the extent specified herein, (ii) payments on the Hedge Agreements and the Cashflow Swap Agreement, and (iii) payments of interest (and, in some circumstances, principal and Deferred Interest) on the Notes. No payment of Principal Proceeds in respect of the Preference Shares will be made until the Notes have been paid in full. In addition, if an Event of Default occurs, as long as any Notes are outstanding, the holders of the Notes, (and, in some cases the Hedge Counterparty and the Cashflow Swap Counterparty), 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 and to initiate the liquidation and sale of all of the Collateral without obtaining the consent of the holders of the Preference Shares. Subsequent to an acceleration of the maturity of the 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.

A significant amount 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, the Preference Shares and the Combination Securities and to make any payment to the Hedge Counterparty on the Closing Date, rather than to make investments in Collateral Debt Securities. As a result, on the Closing Date the market value of the Collateral will be significantly less than the aggregate principal amount of the Notes and the aggregate liquidation preference of the Preference Shares. In addition, Excess Interest will generally be paid to the Preference Share Paying Agent for distribution to the holders of the Preference Shares, rather than reinvested in additional Collateral Debt Securities. Consequently, after payments on the Notes and the other expenses of the Issuer 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 likely that such proceeds will be insufficient to pay the initial liquidation preference of the Preference Shares. Therefore, holders of Preference Shares will rely on the distributions of Excess Interest for their ultimate return. Consequently, purchasers of the Preference Shares bear a high risk of losing all or part of their original investment.

Remedies Following an Event of Default. If an Event of Default occurs and is continuing (other than an Event of Default described in clause (vi) under "Description of the Notes—The Indenture—Events of Default"), holders of a majority in aggregate outstanding principal amount of the Controlling Class, may determine the remedies to be exercised under the Indenture, except that (a) in the case of an Event of Default, other than an Event of Default specified in clause (a)(i), (b)(i) and (a)(ii)(A) under "Description of the Notes—The Indenture—Events of Default" the holders of at least 66-2/3% in aggregate outstanding principal amount of each Class of Notes voting as a separate Class, each Hedge Counterparty (unless no early termination or liquidation payment, including any accrued and unpaid amounts, would be owing by the Issuer to such Hedge Counterparty upon the termination thereof by reason of the occurrence of an event of default or termination event under any Hedge Agreement with respect to the Issuer) and the Cashflow Swap Counterparty (unless no payment would be owing by the Issuer to the Cashflow Swap Counterparty upon the termination thereof by reason of the occurrence of an event of default or termination event under the Cashflow Swap Agreement with respect to the Issuer), subject to the provisions of the Indenture, may direct the sale and liquidation of the Collateral; (b) subject to the rights of the Cashflow Swap Counterparty described below, in the case of an Event of Default specified in clause (a)(i) or (b)(1) under "Description of the Notes—The Indenture—Events of Default," holders of at least 66-2/3% of the aggregate outstanding principal amount of the Class A-1 Notes may direct the sale and liquidation of the Collateral and the holders of the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes shall

not be entitled to any vote relating thereto or (c) subject to the rights of the Cashflow Swap Counterparty described below, in the case of an Event of Default specified in clause (a)(ii)(A) under "Description of the Notes—The Indenture—Events of Default," unless each of the Class A-1S Notes, the Class A-1J Notes and the Class A-2 Notes has been paid in full (and the Commitment Period Termination Date has occurred), the holders of at least 66-2/3% of the aggregate outstanding principal amount of the Class A-1S Notes, the Class A-1J Notes and the Class A-2 Notes, voting together as if they were one Class may direct the sale and liquidation of the Collateral and the holders of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes shall not be entitled to any vote relating thereto. See "Description of the Notes – Events of Default" and "Description of Notes - Senior Class Liquidation Direction."

If the Trustee is directed to sell and liquidate the Collateral following any of the Events of Default described in paragraphs (a) through (c) above (any such direction, a "Senior Class Liquidation Direction"), unless no early termination or liquidation payment, including any accrued and unpaid amounts, would be owing by the Issuer to the Cashflow Swap Counterparty, the Trustee shall determine in accordance with the Indenture (each, a "Cashflow Swap Collateral Sufficiency Determination") whether the anticipated proceeds of a sale or liquidation of the Collateral (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to discharge in full any accrued and unpaid amounts payable by the Issuer pursuant to the Cashflow Swap Agreement, including termination payments, if any (assuming, for this purpose, that the Cashflow Swap Agreement has been terminated by reason of the occurrence of an event of default or termination event thereunder with respect to the Issuer) in each case in accordance with the Priority of Payments (collectively, "Cashflow Swap Termination Amounts"). If the result of the Cashflow Swap Collateral Sufficiency Determination is that the anticipated proceeds of a sale or liquidation of the Collateral (after deducting the reasonable expenses of such sale or liquidation) will not be sufficient to discharge in full all Cashflow Swap Termination Amounts, the sale and liquidation of the Collateral will be subject to the affirmative vote of the Cashflow Swap Counterparty. If the Cashflow Swap Counterparty fails to affirmatively vote within 5 Business Days of notice thereof, or sends a notice consenting to such sale and liquidation, the Trustee shall proceed to sell and liquidate the Collateral in accordance with the provisions of the Indenture. If the Trustee receives a Liquidation Objection Notice, the Trustee shall retain the Collateral intact, collect and cause the collection of the proceeds thereof and make and apply all payments and deposits and maintain all accounts in respect of the Collateral and the Notes in accordance with the Priority of Payments and the Indenture. So long as the relevant Event of Default is continuing, holders of a majority in aggregate outstanding principal amount of the Controlling Class or Holders of the Class or Classes of Notes entitled to exercise rights under the Indenture in respect of the relevant Event of Default, if different, may at any time (but not more frequently than once every 30 days) issue another Senior Class Liquidation Direction, which shall be subject to the procedures set out above. See "Description of the Notes – Senior Class Liquidation Direction."

In the event that the Trustee has not liquidated the Collateral subsequent to an Event of Default, the Trustee shall retain the Collateral intact and continue to apply all payments in respect of the Collateral in accordance with the Priority of Payments on each Quarterly Distribution Date.

Following an Event of Default, acceleration of the Notes and liquidation of the Collateral in accordance with the Indenture, proceeds of such liquidation available to the Trustee will be allocated after paying certain fees and expenses in accordance with the Priority of Payments, (1) to pay the accrued interest and the entire principal amount of the Class A-1S Notes prior to any allocation to pay interest or principal on the Class A-1J Notes, the Class A-2 Notes, the Class B Notes (including the Class B-2 Note Component), the Class C Notes, the Class D Notes, the Class E Notes (including the Class E-2 Note Component) and the Preference Shares, (2) to pay the accrued interest and the entire principal amount of the Class A-1J Notes prior to any allocation to pay interest or principal on the Class A-2 Notes, the Class B Notes (including the Class B-2 Note Component), the Class C Notes, the Class D Notes, the Class E Notes (including the Class E-2 Note Component) and the Preference Shares, (3) to pay the accrued interest and the entire principal amount of the Class A-2 Notes prior to any allocation to pay interest or principal on the Class B Notes (including the Class B-2 Note Component), the Class C Notes, the Class D Notes, the Class E Notes (including the Class E-2 Note Component) and the Preference Shares, (4) to pay the accrued interest and the entire principal amount of the Class B Notes prior to any allocation to pay interest or principal on the Class C Notes, the Class D Notes, the Class E Notes (including the Class E-2 Note Component) and the Preference Shares, (5) to pay the accrued interest and the entire principal amount of the Class C Notes prior to any allocation to pay interest or principal on the Class D Notes, the Class E Notes (including the Class E-2 Note Component) and the Preference Shares, (6) to pay the accrued interest and the entire principal amount of the Class D Notes prior to any

allocation to pay interest or principal on the Class E Notes (including the Class E-2 Note Component) and the Preference Shares, and (7) to pay the accrued interest and the entire principal amount of the Class E Notes prior to any allocation to make distributions on the Preference Shares.

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 from the lien of the Indenture in accordance with the Priority of Payments. There can be no assurance that, after payment of principal of and interest and Commitment Fee on the Notes and other fees and expenses of the Co-Issuers in accordance with the Priority of Payments, the Issuer will have funds remaining to make distributions in respect of the Preference Shares, 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 initial liquidation preference of the Preference Shares. See "Description of the Notes—Priority of Payments." 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) *provided* that the Issuer will be solvent immediately following the date of such payment.

Pro Rata Payment of Notes. If, on any Determination Date, (i) no Event of Default has occurred and is continuing, (ii) no Principal Proceeds have been applied on any Quarterly Distribution Date (or will be applied on the related Quarterly Distribution Date) to cure a breach of the Class A/B/C Overcollateralization Test and (iii) the aggregate Principal Balance of all Pledged Collateral Debt Securities equals or exceeds 50% of the Net Outstanding Portfolio Collateral Balance (as of the Ramp-Up Completion Date), and (iv) no breach of the Class A/B/C Sequential Pay Test has occurred on such Determination Date or on any prior Determination Date, Principal Proceeds may be applied on such Quarterly Distribution Date to pay principal of the Notes pro rata and not sequentially. This will have the effect of junior Classes of Notes being paid principal prior to the payment in whole of more senior Classes of Notes. If a Sequential Pay Period commences due to the occurrence of an event described in clause (ii), (iii) or (iv) of the first sentence of this paragraph, a Pro Rata Pay Period will not occur thereafter.

Yield Considerations. The yield to each holder of the Preference Shares will be a function of the purchase price paid by such holder for its Preference Shares and the timing and amount of dividends and other distributions made in respect of the Preference Shares during the term of the transaction. Each prospective purchaser of the Preference Shares should make its own evaluation of the yield that it expects to receive on the Preference Shares. Prospective investors should be aware that the timing and amount of dividends and other distributions will be affected by, among other things, the performance of the Collateral Debt Securities purchased by the Issuer. Each prospective investor should consider the risk that an Event of Default will result in a lower yield on the Preference Shares than that anticipated by such investor. In addition, after the Ramp-Up Completion Date, if the Issuer fails any Coverage Test, amounts that would otherwise be distributed as dividends to the holders of the Preference Shares on any Quarterly Distribution Date may be paid to other investors in accordance with the Priority of Payments. 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. 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 Commitments—Class A-1S Notes. The Class A-1S Noteholders will be obligated during the Commitment Period, subject to compliance by the Issuer with certain borrowing conditions specified in the Class A-1S Note Purchase Agreement, to advance funds to the Co-Issuers on April 14, 2006, *provided* that (i) the aggregate amount advanced under the Class A-1S Notes may not in any event exceed \$70,000,000 and (ii) at the time of and immediately after giving effect to such Borrowing, no Event of Default or Default has occurred and is continuing or would result from such Borrowing. See "Description of the Notes—Drawdown—Class A-1S Notes."

In the event that the Issuer fails to satisfy the conditions to borrowing under the Class A-1S Note Purchase Agreement and the Class A-1S Noteholders fail to fund the Borrowing on April 14, 2006 for any other reason, the Issuer will not be able to complete the acquisition of the initial portfolio of Collateral Debt Securities and is not likely to have sufficient Interest Proceeds to make distributions on the Preference Shares or to pay interest on all Classes of the Notes.

Prospective Investors in the Class A-1 Notes should review the Class A-1 Notes Supplement. Information material to the terms of an investment in the Class A-1 Notes is contained in the applicable Class A-1 Notes Supplement, and no investor should purchase an interest in the Class A-1 Notes without reviewing both this Offering Circular and the applicable Class A-1 Notes Supplement.

Interest rate on the Class A-1 Notes. Prospective investors in the Notes (other than the Class A-1 Notes) should assume that the interest rate on the Class A-1 Notes is equal to LIBOR plus 1.00%. Prospective investors in the Class A-1 Notes should review the Class A-1 Notes Supplement regarding how the interest rate on the Class A-1S Notes and the Class A-1J Notes will be determined and paid.

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 terms of the Notes or Combination 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 or Preference Shares. Accordingly, supplemental indentures that result in material and adverse changes to the interests of Noteholders or Combination Securityholders, and in some cases Preference Shareholders, may be approved without the consent of all of the Noteholders and Preference Shareholders adversely affected. See "Description of the Notes—The Indenture—Modification of the Indenture."

Nature of Collateral. The Collateral pledged to secure the Notes will consist of Asset-Backed Securities and related Synthetic Securities. It is expected that no more than 75% of the Collateral will consist of CBO/CLO Securities, with the remainder of the Collateral consisting of Other ABS and Synthetic Securities that reference Other ABS. The Collateral consisting of Other ABS will include Residential Mortgage-Backed Securities (including Residential A Mortgage Securities, Residential B/C Mortgage Securities and Home Equity Loans) and Commercial Mortgage-Backed Securities. The Collateral consisting of Synthetic Securities may include credit linked notes and credit default swaps the Reference Obligations as to which are CBO/CLO Securities or Other ABS. The underlying assets of the CBO/CLO Securities will include asset-backed securities, commercial and corporate bank loans (including senior loans, middle market loans and small business loans), bonds (including investment grade bonds, emerging market bonds and high yield bonds) and other debt securities (including trust preferred securities and sovereign debt).

Because each such type of asset has different risk characteristics, the concentration of the Collateral in any particular type of asset may significantly affect the liquidity, credit exposure, currency exposure and maturity or the redemption date, as applicable, of the Notes.

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

The Indenture permits the Issuer to acquire Collateral Debt Securities which are rated below investment grade so long as such acquisitions do not cause the Collateral Debt Securities which have below investment grade ratings from both Moody's and Standard & Poor's to exceed 50% of the Net Outstanding Portfolio Collateral

Balance. Such Collateral Debt Securities will have greater credit, insolvency and liquidity risk than investment grade obligations and, therefore, a greater risk of loss. In addition to credit and liquidity risk, obligations rated below investment grade have greater volatility than investment grade obligations. Future periods of uncertainty in the United States economy and the possibility of increased volatility and default rates in the below investment grade sector may further adversely affect the price and liquidity of below investment grade obligations in this market. Consequently, purchasers of the Preference Shares and the Class E Notes will bear a higher risk of losing all or part of their principal investment than they would if the Issuer was permitted to purchase only investment grade obligations. 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 Securities 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 Securities.

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

Although the Issuer is required to use its best efforts to invest Uninvested Proceeds in Collateral Debt Securities after the Closing Date, the Issuer may find that, as a practical matter, these investment opportunities are not available to it for a variety of reasons, including, among others, the limitations imposed by the Eligibility Criteria and the requirement with respect to Synthetic Securities that the Issuer receive confirmation of the ratings of the Notes from Standard & Poor's with respect to the purchase thereof. At any time there may be a limited number of investments, or no investments, that would satisfy the Eligibility Criteria, given the other investments in the Issuer's portfolio. As a result, the Issuer may at times find it difficult to purchase suitable investments. See "Security for the Notes—Collateral Debt Securities" and "—Eligibility Criteria." Although the Issuer expects that, on or prior to April 14, 2006, it will be able to purchase sufficient Collateral Debt Securities that satisfy the Eligibility Criteria, the Collateral Quality Tests, the Standard & Poor's CDO Monitor Test and Coverage Tests described herein, there is no assurance that such limitations and tests will be satisfied on such date. Failure to satisfy such tests by such date may result in the repayment or redemption of a portion of the Notes in accordance with the Priority of Payments. See "Description of the Notes—Mandatory Redemption."

During the Substitution Period, subject to the conditions described under "Description of the Notes—Substitution Period" and "Security for the Notes—Dispositions of Collateral Debt Securities," the Collateral Manager may sell (or in the case of a Synthetic Security, exercise its right, if any, to terminate) Collateral Debt Securities and reinvest the Sale Proceeds thereof (other than Sale Proceeds of Defaulted Securities, Deferred Interest PIK Bonds and Equity Securities) in substitute Collateral Debt Securities in accordance with the Eligibility Criteria. After the end of the Substitution Period, the Issuer will not reinvest Sale Proceeds in Collateral Debt Securities, although the Issuer will complete any purchases of Collateral Debt Securities which it committed to make on or prior to the end of the Substitution Period. In addition, after the Substitution Period, the Collateral Manager will not be entitled to sell Collateral Debt Securities (other than Defaulted Securities, Credit Risk Securities, Credit Improved Securities and Equity Securities) prior to the maturity or early redemption thereof except in connection with an Optional Redemption, Auction Call Redemption, a Tax Redemption or a liquidation of the Collateral following an Event of Default or the winding up of the Issuer following the payment in full of the Notes.

CBO/CLO Securities. Most of the Collateral Debt Securities acquired by the Issuer will consist of CBO/CLO Securities. "CBO/CLO Securities" are 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 asset backed securities, commercial and industrial bank loans, bonds and other debt securities and/or one or more synthetic

securities or credit default swaps which reference such asset backed securities, loans, bonds or debt securities subject to specified investment and management criteria.

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

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

The CBO/CLO Securities included in the Collateral may have Underlying Portfolios that hold or invest in some of the same assets as the Collateral pledged to secure the Notes or held in the Underlying Portfolios of other CBO/CLO Securities pledged as Collateral. The concentration in any particular asset may adversely affect the Issuer's ability to make payments on the Offered Securities. In addition, the Underlying Portfolios of the CBO/CLO Securities may be actively traded. As a result, investors in the Offered Securities are exposed to the risk of loss on such Collateral Debt Securities both directly and indirectly through the CBO/CLO Securities purchased by the Issuer. If an investor in the Offered Securities is also an investor in any CBO/CLO Security which the Issuer purchases (or in other tranches of securities sold by the same CDO), the exposure of such investor to the risk of loss on such CBO/CLO Security will increase as a result of its investment in the Offered Securities. The Initial Purchaser also acted as the placement agent for some of the CBO/CLO Securities 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 securing the Notes will consist of loans, a portion of the obligations in the Underlying Portfolios of the CBO/CLO Securities will consist of Senior Loans. Additionally, the Underlying Portfolios may consist of high yield debt securities, subordinated loans, structured finance securities, synthetic securities and other debt instruments, rated below investment grade (or of equivalent credit quality). Such investments may be speculative. To the extent that the Underlying Portfolios consist of High Yield Corporate Debt Securities, Middle Market Loan Securities (which include Middle Market Commercial Loan Securities and Small Business Loan Securities), Residential Mortgage-Backed Securities (including Residential A Mortgage Securities and Residential B/C Mortgage Securities), Commercial Mortgage-Backed Securities and Senior Loans, the CBO/CLO Securities will be subject to the risks described under "Asset-Backed Securities," "High Yield Corporate Debt Securities," "Middle Market Loan Securities," "Residential Mortgage-Backed Securities and Commercial Mortgage-Backed Securities," "Trust Preferred Securities" and "Senior Loans."

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

The CBO/CLO Securities which the Issuer will purchase will be subordinated to other classes of securities issued by each respective issuer thereof. CBO/CLO Securities that are not part of the most senior tranche(s) of the securities issued by the issuer thereof may allow for the deferral of the payment of interest on such CBO/CLO

Securities. The CBO/CLO Securities that the Collateral Manager anticipates will form part of the Collateral will be primarily mezzanine debt issued by the related CDO. The CBO/CLO Securities that are mezzanine debt will have payments of interest and principal that are subordinated to one or more classes of notes that are more senior in the related issuer's capital structure, and generally will allow for the deferral of interest subject to the related issuer's priority of payments. To the extent that any losses are incurred by the issuer thereof in respect of its CBO/CLO Securities, such losses will be borne by holders of the mezzanine tranches before any losses are borne by the holders of senior tranches. In addition, if an event of default occurs under the applicable indenture, as long as any senior tranche of CBO/CLO Securities is outstanding, the holders of the senior tranche thereof generally will be entitled to determine the remedies to be exercised under the indenture, which could be adverse to the interests of the holders of the mezzanine tranches (including the Issuer).

Most of the CBO/CLO Securities which the Issuer will purchase will be PIK Bonds. The deferral of interest by the issuer of CBO/CLO Securities forming part of the Collateral would result in a reduction in the amounts available to make payments to the holders of the Notes and the Preference Shares and in the deferral of interest on the Class D Notes and Class E Notes. Such deferral of interest on the CBO/CLO Securities could also make it necessary for the Issuer to seek amounts from the Cashflow Swap Counterparty under the Cashflow Swap Agreement with respect to the payment of interest and Commitment Fee in respect of the Class A Notes, Class B Notes and Class C Notes. In that instance, there is a risk that the Cashflow Swap Counterparty will not be able to perform its obligations under the Cashflow Swap Agreement, and the amount which may be advanced under the Cashflow Swap Agreement is limited. In addition, the Cashflow Swap Agreement will not be available to pay amounts on account of interest on the Class D Notes and the Class E Notes or distributions on the Preference Shares, and the Issuer will be required to reimburse the Cashflow Swap Counterparty (with interest) before it can resume payments of interest or principal on the Class D Notes and Class E Notes and distributions on the Preference Shares. See "The Cashflow Swap Agreement."

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

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

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

Asset-Backed Securities. A substantial portion of the obligations in the Underlying Portfolios of the CBO/CLO Securities included in the Collateral will consist of Asset-Backed Securities. Additionally, a portion of the Collateral Debt Securities included in the Collateral will consist of Asset-Backed Securities or Synthetic Securities the Reference Obligations of which are Asset-Backed Securities. "Asset-Backed Securities" are debt obligations or debt securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from (a) a specified pool of financial assets, either static or revolving, that by its terms converts 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.

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

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

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

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

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

Unlike closed-end installment loans, revolving credit receivables involve greater uncertainty about future cash flows. Therefore, Asset-Backed Securities structures with this type of collateral must be more complex to afford investors more comfort in predicting their repayment. Accounts included in the securitization pool may have balances that grow or decline over the life of the Asset-Backed Securities. Accordingly, at maturity of the Asset-Backed Securities, any remaining balances revert to the originator. During the term of the Asset-Backed Securities, the originator may be required to sell additional accounts to the pool to maintain a minimum dollar

amount of collateral if accountholders pay down their balances in advance of predetermined rates. Credit card securitizations are the most prevalent form of revolving credit Asset-Backed Securities, although home equity lines of credit are a growing source of Asset-Backed Securities collateral. Credit card securitizations are typically structured to incorporate two phases in the life cycle of the collateral: an initial phase during which the principal amount of the securities remains constant and an amortization phase during which investors are paid off. A specific period of time is assigned to each phase. Typically, a specific pool of accounts is identified in the securitization documents, and these specifications may include not only the initial pool of loans but also a portfolio from which new accounts may be contributed. The dominant vehicle for issuing securities backed by credit cards is a master trust structure with a "spread account" that is funded up to a predetermined amount through "excess yield"—that is, interest and fee income less credit losses, servicing and other fees. With credit card receivables, the income from the pool of loans—even after credit losses—is generally much higher than the return paid to investors. After the spread account accumulates to its predetermined level, the excess yield reverts to the issuer.

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

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

Further issues may arise based on discretionary behavior of the issuer within the terms of the securitization agreement, such as voluntary buybacks from, or contributions to, the underlying pool of loans when credit losses rise. A bank or other issuer may play more than one role in the securitization process. An issuer can simultaneously serve as 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, most of the Asset-Backed Securities included in the Collateral may have been issued in transactions that have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels. As a result, such securities have a higher risk of loss as a result of delinquencies or losses on the underlying assets. In certain circumstances, payments of interest may be reduced or eliminated for one or more payment dates. Additionally, as a result of cash flow being diverted to payments of principal on more senior classes, the average life of such securities may lengthen. Subordinate Asset-Backed Securities generally do not have the right to call a default or vote on remedies following a default unless more senior securities have been paid in full. As a result, a shortfall in payments to subordinate investors in Asset-Backed Securities will generally not result in a default being declared on the transaction and the transaction will not be restructured or unwound. Furthermore, because subordinate Asset-Backed Securities may represent a relatively small percentage of the size of the asset pool being securitized, the impact of a relatively small loss on the overall pool may disproportionately affect the holders of such subordinate security.

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

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

High Yield Corporate Debt Securities. A portion of the obligations in the Underlying Portfolios of the CBO/CLO Securities included in the Collateral will consist of high yield corporate debt securities. Additionally,

portion of the Collateral Debt Securities included in the Collateral may consist of Synthetic Securities the Reference Obligations of which are such securities. High yield corporate debt securities are generally unsecured, may be subordinated to other obligations of the issuer and generally have greater credit and liquidity risk than is typically associated with investment grade corporate obligations. High yield corporate debt securities are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. The low rating or the absence of a rating of high yield debt securities and below investment grade loans reflects a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal or interest.

High yield corporate debt securities have historically experienced greater default rates than has been the case for investment grade securities. Although studies have been made of historical default rates in the high yield market, such studies do not necessarily provide a basis for drawing definitive conclusions with respect to default rates and, in any event, do not necessarily provide a basis for predicting future default rates.

Middle Market Loan Securities. A portion of the Collateral Debt Securities included in the Collateral will consist of Middle Market Loan Securities or Synthetic Securities the Reference Obligations of which are Middle Market Loan Securities. "Middle Market Loan Securities" are Asset-Backed Securities that include Middle Market Commercial Loan Securities and Small Business Loan Securities. "Middle Market Commercial Loan Securities" are Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from commercial loans or commercial loan facilities, including asset-based loans, senior secured cash flow loans, mezzanine (subordinated) cash flow loans and loans to various special purpose entities, where all or a portion of the underlying collateral consists of loans to pooled debtors and real estate debtors. Such loans usually consist of two types: (i) revolving loans, which may include revolving lines of credit with a commitment that does not vary over the life of the loan or revolving lines of credit that reduce in accordance with a schedule over the life of the loan, or (ii) term loans, including fully funded loans and multiple advance loans that have not been fully funded. "Small Business Loan Securities" are 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 Small Business Loan 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), generally having the following characteristics: (1) the loans are obligations of a relatively limited number of borrowers and accordingly represent an undiversified pool of obligor credit risk; and (2) payment 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.

Middle Market Loan Securities are primarily secured by commercial loans to, and securities issued by, privately owned businesses. Compared to larger publicly owned firms, these companies may be more vulnerable to economic downturns, may have more limited access to capital and higher funding costs, may have a weaker financial position, and may need more capital to expand or compete. These businesses also may experience substantial variations in operating results and may face intense competition, including from companies with greater financial, technical and marketing resources. Typically, the success of these businesses also depends on the management talents and efforts of an individual or a small group of persons. The death, disability or resignation of any of their key employees could harm their financial condition. Furthermore, many of these companies do business in regulated industries and could be affected by changes in government regulation. Accordingly, these factors could impair their cash flow or result in other events, such as bankruptcy, which could limit their ability to repay their loans.

Some of the borrowers may be unable to obtain financing from public capital markets or from traditional credit sources, such as commercial banks. Accordingly, advances made to these types of borrowers may entail a higher risk of loss than advances made to customers who are able to use traditional credit sources. These conditions may also make it difficult for these borrowers to repay their loans.

Furthermore, there is generally no publicly available information about such obligors, and lenders must rely on the borrowers and the diligence of their employees to obtain information about the borrowers. If a lender is unable to uncover all material information about a borrower such lender may not make a fully informed lending

decision and, as a result, may lead to a borrower that may default on a loan, resulting in a loss of some or all of its investment.

Many borrowers are susceptible to economic slowdowns or recessions and may be unable to repay their loans during these periods. Adverse economic conditions also may decrease the value of collateral securing some of the loans.

Payments on Middle Market Loan Securities could be impaired by the concentration of the loans securing such Middle Market Loan Securities to any one borrower or industry or geographic location. In addition, defaults may be highly correlated with particular borrowers, industries or geographic locations. As a result, the overall timing and amount of collections on the loans held by an issuer of Middle Market Loan Securities may differ from what investors may have expected, and investors may experience delays or reductions in payments they expected to receive.

The collectibility of the loans securing Middle Market Loan Securities is subject to credit, liquidity and interest rate risks and will generally fluctuate in response to, among other things, market interest rates, general economic conditions, the financial conditions of borrowers and other similar factors.

General economic conditions have an impact on the ability of borrowers to repay loans. Loans may become non-performing for a variety of reasons. Such non-performing loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of the loan and/or the deferral of payments. In addition, because of the unique and customized nature of a loan agreement, certain loans may not be purchased or sold as easily as publicly traded securities. Loans may encounter trading delays due to their unique and customized nature, and transfers may require the consent of an agent bank or borrower. In addition, an issuer of Middle Market Loan Securities may incur additional expenses to the extent it is required to seek recovery upon a default on a loan or participate in the restructuring of such obligation.

Even assuming that the collateral securing each loan provides adequate security for the loans, substantial delays could be encountered in connection with the liquidation of non-performing loans, and corresponding delays in the receipt of the related net liquidation proceeds by the holders of the Middle Market Loan Securities could occur. An action to foreclose on the collateral securing a loan is regulated by State statutes and regulations and may be subject to many of the delays and expenses of other lawsuits if defenses or counterclaims are interposed. In the event of a default by a borrower, these restrictions as well as the ability of the borrower to file for bankruptcy protection, among other things, may impede the ability to foreclose on or sell the collateral or to obtain net liquidation proceeds sufficient to repay all amounts due on the related loan. If the collateral fails to provide adequate security for the related loans, holders of Middle Market Loan Securities could experience a loss on their investment.

Various Federal and State laws enacted for the protection of creditors may apply to the loans which constitute the primary assets of the issuer of a Middle Market Loan Security by virtue of the issuer's role as creditor with respect to the borrowers. Fraudulent transfer laws vary somewhat from jurisdiction to jurisdiction; generally, however, if a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower, such as a trustee in bankruptcy or the borrower as debtor-in-possession, were to find that (i) the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment in a loan, for the grant of any security interest or other lien securing such investment or for any other transfer, and (ii) after giving effect to such indebtedness, the borrower either: (a) was insolvent; (b) was engaged in business for which the assets remaining in such borrower constituted unreasonably small capital; or (c) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, then such court could avoid, in whole or in part, such indebtedness, security interest or other lien securing such loan or transfer as a fraudulent conveyance, could subordinate such indebtedness to existing or future creditors of the borrower or could recover amounts previously paid by the borrower (including to the issuer of the Middle Market Loan Security) in satisfaction of such indebtedness. A court also could find that the borrower made an intentionally fraudulent transfer, with the same consequences for the lender, based, among other things, on objective "badges of fraud." Generally, a borrower, would be considered insolvent at a particular time if the sum of its debts, including contingent obligations, was greater than all of its property at fair valuation or if the present fair saleable value of its assets was less than the amount that would be required to pay its liabilities on its existing debts, including contingent obligations, as they

became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether a borrower was insolvent after giving effect to a borrowing or that, regardless of the method of evaluation, a court would not determine that the borrower was "insolvent" upon giving effect to such borrowing. In addition, transfers made by an insolvent borrower on account of antecedent debt are subject to the possibility of avoidance and recapture as "preferences" under the United States Bankruptcy Code and the laws of many States.

In general, if payments on any of the loans are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured from the initial recipient (such as the issuer of the Middle Market Loan Security) or the party for whose benefit the payment was made, or from subsequent transferees of such payments, including holders of the Middle Market Loan Securities.

The interest rates borne by the loans may adjust periodically based on changes to an index rate, such as the prime rate or LIBOR. The interest rate for a Middle Market Loan Security may be determined in accordance with, and adjust periodically based upon, a different index rate. The interest rates on the loans may respond to different economic and market factors than the interest rates on the Middle Market Loan Securities and there may not necessarily be a correlation between them. Thus, it is possible, for example, that the interest rates on the loans may rise during periods in which the interest rates on the Middle Market Loan Securities are stable or are falling, or even if the interest rates on the loans rise during the same period, the interest rates on the loans may rise more rapidly than the interest rates on the Middle Market Loan Securities. Furthermore, even if the interest rates on the loans and interest rates on the Middle Market Loan Securities were at the same level, various factors in the structure of the Middle Market Loan Securities, such as caps or subordination, may limit the amount of interest that would otherwise be distributable on the Middle Market Loan Securities.

Residential Mortgage-Backed Securities and Commercial Mortgage-Backed Securities. A substantial portion of the obligations in the Underlying Portfolios of the CBO/CLO Securities will consist of Residential Mortgage-Backed Securities ("RMBS"), including Residential A Mortgage Securities, Residential B/C Mortgage Securities and Home Equity Loan Securities, and Commercial Mortgage-Backed Securities ("CMBS"). Additionally, a portion of the Collateral Debt Securities included in the Collateral may consist of such securities.

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

Residential mortgage loans and commercial mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of defaults and losses on residential mortgage loans and commercial mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan or commercial mortgage loan is in default, foreclosure of such residential mortgage loan or commercial mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans, commercial mortgage loans or foreclosed properties may be very limited.

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. In addition, the residential mortgage loans may include so-called "jumbo" mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans. As a result, such portfolio of RMBS may experience increased losses.

Each underlying residential mortgage loan in an issue of RMBS and each underlying commercial mortgage loan in an issue of CMBS may have a balloon payment due on its maturity date. Balloon mortgage loans involve a greater risk to a lender than fully-amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of

factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential or commercial 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 residential mortgage loans in an issue of RMBS and on the underlying commercial mortgage loans in an issue of CMBS will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related mortgage loans, the rate of prepayment on the underlying mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of RMBS or CMBS. 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 or CMBS.

It is not expected that the RMBS or CMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on the 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 have structural characteristics that distinguishes them from other Asset-Backed Securities. The rate of interest payable on RMBS typically is 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 investors. Federal and state law may also affect the return to investors by capping the interest rates payable by certain mortgagors. The Servicemembers Civil Relief Act of 2003 provides relief for soldiers and members of the reserve called to active duty by capping the interest rates on their mortgage loans at 6% per annum.

Most of the RMBS which the Issuer may purchase (or which are assets of the CBO/CLO Securities which the Issuer will purchase) are subject to available funds caps or other caps on the interest rate payable to holders of such securities. The effect of such caps is to reduce the rate at which interest is paid to the holders of such securities (including the Issuer), which would have an adverse effect on the Issuer's ability to pay interest on the Notes and to make distributions on the Preference Shares.

Residential mortgage loans in an issue of RMBS and commercial mortgage loans in an issue of CMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws, public policies and principles may limit the

servicer's ability to collect all or part of the principal of or interest on a mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could result also in cash flow delays and losses on the related issue of RMBS or CMBS.

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 RMBS. 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 an RMBS 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 backing an RMBS are also subject to federal laws, including:

(1) the federal Truth in Lending Act and Regulation Z promulgated under the Truth in Lending Act, which require particular disclosures to the borrowers regarding the terms of the loans;

(2) the Equal Credit Opportunity Act and Regulation B promulgated under the Equal Credit Opportunity Act, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;

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

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

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

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

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

In some cases, liability of a lender under a mortgage loan may affect subsequent assignees of such obligations, including the issuer of an RMBS. In particular, a lender's failure to comply with the Truth in Lending Act could subject such lender and its assignees to monetary penalties and could result in rescission. Numerous class action lawsuits have been filed in multiple states alleging violations of these statutes and seeking damages, rescission and other remedies. These suits have named the originators and current and former holders, including the issuers of related RMBS. If an issuer of RMBS 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 RMBS. In such event, the Issuer, as holder of such RMBS, could suffer a loss.

In addition to the laws described above, a number of legislative proposals have been introduced at both the federal, state and municipal level that are 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. An originator's failure to comply with these laws could subject the issuer of an RMBS to monetary penalties and could result in the borrowers rescinding the loans underlying such RMBS.

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

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

Senior Loans. Although none of the Collateral Debt Securities securing the Notes will consist of loans, a portion of the obligations in the Underlying Portfolios of the CBO/CLO Securities will consist of Senior Loans or Synthetic Securities the Reference Obligations of which are such securities. "Senior Loans" are of a type of loan generally incurred by the borrowers thereunder in connection with a highly leveraged transaction, often to finance internal growth, acquisitions, mergers, stock purchases, or for other reasons. As a result of the additional debt incurred by the borrower in the course of such a transaction, the borrower's creditworthiness is often judged by the rating agencies to be below investment grade. Such loans are typically private corporate loans that are negotiated by one or more commercial banks and syndicated among a group of commercial banks and institutional investors. In order to induce the banks and institutional investors to invest in a borrower's loan facility, and to offer a favorable interest rate, the borrower often provides the banks and institutional investors with extensive information about its business which is not generally available to the public. All or most of the obligors on the Senior Loans held by the CDOs in which the Issuer will invest will be rated below investment grade.

Senior Loans are often secured by specific collateral, including, but not limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises and common and preferred stock of the obligor and its subsidiaries. Such loans often provide for restrictive covenants designed to limit the activities of the borrower in an effort to protect the right of lenders to receive timely payments of interest on and repayment of principal of the loans. Such covenants may include restrictions on dividend payments, specific mandatory minimum financial ratios, limits on total debt and other financial tests. The lien securing the Senior Loan may be a "junior" lien and, as a result, the rights of the Senior Loan to receive the proceeds of the collateral will be subject to the repayment of other indebtedness of the borrower which has a senior lien on the collateral.

The majority of Senior Loans bear interest based on a floating rate index: LIBOR, the certificate of deposit rate, a prime or base rate (each as defined in the applicable loan agreement) or other index, which may reset daily (as most prime or base rate indices do) or offer the borrower a choice of one, two, three, six, nine or twelve month interest periods.

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

Purchasers of loans are predominantly commercial banks, investment funds, mutual funds and investment banks. As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high yield debt market.

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

The unique nature of the loan documentation creates a degree of complexity in negotiating a secondary market purchase or sale which does not exist, for example, in the high yield bond market. The nature of the direct relationship that may exist between the borrower under a Senior Loan and the lender when such loan is assigned also gives rise to the risks of lender liability, fraudulent conveyance and avoidable preference.

In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. The nature of some of the senior secured loans expected to comprise a portion of the Underlying Portfolios of the CBO/CLO Securities may cause the issuers of the CBO/CLO Securities to be subject to allegations of lender liability. If such claims were upheld, they could impact the ability of any such issuer to make payments in respect of such CBO/CLO Security.

Courts have in some cases applied the doctrine of equitable subordination to subordinate the claim of a lending institution against a borrower to claims of other creditors of the borrower, when the lending institution is found to have engaged in unfair, inequitable or fraudulent conduct. Because of the nature of the obligations contained in the Underlying Portfolio, the issuer of a CBO/CLO Security may be subject to claims from creditors of an issuer that obligations issued by such issuer that are held by the issuer of such CBO/CLO Security should be equitably subordinated.

The discussion in the preceding two paragraphs is based upon principles of United States federal and state laws. Insofar as obligations contained in the Underlying Portfolios that are obligations of non-United States obligors are concerned, the laws of certain foreign jurisdictions may impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that may or may not be analogous to those described above under United States federal and state laws.

Trust Preferred Securities. A portion of the Collateral Debt Securities may be backed by trust preferred securities. Trust preferred securities are generally issued by special purpose trust subsidiaries of financial institutions, insurance companies or REITS. The trust subsidiary uses the proceeds of the sale of its trust preferred securities to purchase deferrable debentures (the "Corresponding Debentures") or other subordinated debt of its parent financial institution or holding company (the "Corresponding Debenture Issuer"). A trust's only source of cash to make payments on its trust preferred securities will be the interest payments it receives on the Corresponding Debentures. The cash flow characteristics of the trust preferred securities have maturities and coupons that mirror the Corresponding Debentures of the Corresponding Debenture Issuer.

The trust preferred securities issued by each trust will generally be redeemed when the Corresponding Debentures issued by its Corresponding Debenture Issuer are paid at maturity, or upon earlier redemption of the Corresponding Debentures. The trust preferred securities may have varying coupon rates, distribution or payment dates and accrual periods, call prices and dates, maturity dates and other terms from one another.

Payments under the Corresponding Debentures, and in turn under the trust preferred securities and the Collateral Debt Securities that they underlie, are highly dependent upon payments received from the relevant Corresponding Debenture Issuer and its subsidiaries. As such, the ability of the Issuers to make payments on the Notes may be adversely affected by the performance of any such Collateral Debt Securities owned by the Issuers and earnings of and defaults by obligors of the underlying trust preferred securities and Corresponding Debentures. Furthermore, adverse developments with respect to the financial, insurance and real estate industries in general may adversely affect the ability of a Corresponding Debenture Issuer to make payments under the Corresponding Debentures, and, due to the resulting negative impact on cash flow under the trust preferred securities and the Collateral Debt Securities they underlie, the ability of the Issuers to make payments on the Notes may be adversely affected.

The only source of cash for a trust to make payments on its trust preferred securities will be payments it receives from its Corresponding Debenture Issuer on the Corresponding Debentures. The obligations of each Corresponding Debenture Issuer under the guarantee it provides in respect of the trust preferred securities and its Corresponding Debentures will be unsecured, subordinate and junior in right of payment to all present and future senior indebtedness of such Corresponding Debenture Issuer. No payment of principal of or premium, if any, or interest on any Corresponding Debenture may be made if (i) any payment due in respect of senior indebtedness of the issuing Corresponding Debenture Issuer is not paid when due and any applicable grace period with respect to such default has ended with such default not having been cured or waived or ceasing to exist or (ii) the maturity of any senior indebtedness of the issuing Corresponding Debenture Issuer has been accelerated because of a default and such acceleration has not been rescinded or cancelled. In addition, Corresponding Debenture Issuers may be parties to agreements with holders of their senior indebtedness that have the practical effect of further subordinating the rights of holders of the Corresponding Debentures to such holders of their senior indebtedness under certain circumstances. Any Corresponding Debenture Issuer or any subsidiary of any Corresponding Debenture Issuer may incur additional indebtedness, secured or unsecured, including any senior indebtedness, without limitation.

The Corresponding Debentures are not insured or guaranteed by the regulatory authority of any financial institution, any governmental agency or instrumentality or any insurance guaranty fund. Because each Corresponding Debenture Issuer that issues Corresponding Debentures may be a holding company, its ability to make distributions on the Corresponding Debentures will be highly dependent upon the earnings of its subsidiaries, and its ability to receive payments from such subsidiaries in the form of dividends, fees, loans or distributions. The subsidiaries of each Corresponding Debenture Issuer are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts under the Corresponding Debentures or any guarantee provided by the Corresponding Debenture Issuer in respect of the trust preferred securities, or to make any funds available therefor, whether by dividends, loans or other payments.

There are also various legal and regulatory limitations on the extent to which a Corresponding Debenture Issuer's subsidiaries may extend credit, pay dividends or otherwise supply funds to the Corresponding Debenture Issuer or various of its affiliates. In particular, with respect to insurance companies, payments of dividends or other distributions to the Corresponding Debenture Issuer or its affiliates by the Corresponding Debenture Issuer's U.S. domiciled insurance company subsidiaries are subject to the various insurance regulatory restrictions of the states having jurisdiction over such insurance company subsidiaries. Such laws typically vary from state to state. Certain states generally require that any statutory surplus following any dividend or distribution be reasonable in relation to such subsidiary's outstanding liabilities and adequate to meet its financial needs and permit the payment of dividends only out of earned (unassigned), as opposed to contributed, statutory surplus. In addition, many states prohibit an insurance company, without prior notice to and approval of the applicable regulatory authority, to declare or pay an extraordinary dividend, which is typically defined as any dividend or distribution of cash or other property whose fair market value, together with other dividends or distributions made within the preceding 12 months, exceeds the greater of such subsidiary's statutory net gain from operations of the preceding calendar year or 10% of statutory surplus as of the preceding December 31, although some states use more stringent standards. For insurance regulatory purposes, the surplus of an insurance company is generally determined on the basis of Statutory

Accounting Practices ("SAP") prescribed or permitted by the state of domicile rather than generally accepted accounting principles ("GAAP"). SAP generally is a more conservative measure of an insurance company's surplus.

In addition, certain agreements, loans, exchanges of assets and other transactions between an insurance company subsidiary and its affiliates, including its Corresponding Debenture Issuer, may require prior notice to or approval of the applicable regulatory authority. Such restrictions and requirements may affect the permissibility and timing of distributions to a Corresponding Debenture Issuer from its insurance company subsidiaries. Moreover, the right of a Corresponding Debenture Issuer to participate in any distribution of assets of any of its subsidiaries upon liquidation, reorganization or otherwise will be subject to the claims of the creditors and any preferred equity holders of the applicable subsidiary, except to the extent that the Corresponding Debenture Issuer is recognized as a creditor of such subsidiary. Even if the Corresponding Debenture Issuer is recognized as a creditor of its insurance company subsidiary, its claims as such will likely be subordinated to those of policyholder creditors in the context of the liquidation of the insurance company subsidiary pursuant to the applicable state insolvency laws governing such liquidation. Accordingly, the Corresponding Debenture Issuer's Corresponding Debentures and guarantee will effectively be subordinated to all existing and future liabilities and preferred equity of the Corresponding Debenture Issuer's insurance subsidiaries.

A default in the payment of principal of or premium, if any, or interest on, or a deferral in interest payments on, any Corresponding Debentures will decrease the amount of cash available to the Issuers to make payments on the Trust Preferred CBO/CLO Security. In such event, the Issuer may incur a loss on its investment in the Trust Preferred CBO/CLO Security.

The terms and provisions of the trust preferred securities may vary and such variations may be material. There can be no assurance that differences between the terms and provisions of some trust preferred securities in comparison to the terms and provisions of other trust preferred securities will not have an adverse affect on the Collateral Debt Securities that they underlie and, consequently, on the Issuers to the extent the Issuers own any such Collateral Debt Securities. Prospective purchasers of the Notes should consider and assess for themselves the likely level of defaults and the likely level and timing of recoveries on the trust preferred securities and on the Collateral Debt Securities that they underlie.

Emerging Market Securities. A portion of the Net Outstanding Collateral Balance as of the Closing Date is expected to consist of CDO Securities and Synthetic Security Collateral primarily secured by or referencing debt obligations of issuers located in emerging market countries and a portion of the portfolios underlying certain of the other CDO Securities and Synthetic Security Collateral may consist of debt obligations of issuers located in emerging market countries. Because each such type of asset has different risk characteristics, the concentration of the portfolio of Collateral in any particular type of asset may significantly affect the liquidity, credit exposure, currency exposure and maturity or the redemption date, as applicable, of the Notes.

Investments in Emerging Market Securities involve special risks related to regional economic conditions and sovereign risks which are not normally associated with investments in the securities of U.S. issuers, including: (1) risks associated with political and economic uncertainty, including the risks of nationalization or expropriation of assets, war and revolution; (2) lower levels of disclosure and regulation in foreign securities markets than in the United States; (3) confiscatory taxation, taxation of income earned, in foreign nations or other taxes or restrictions imposed with respect to investments in foreign nations; (4) economic and political risks, including potential foreign exchange controls (which may include suspension of the ability to convert to U.S. Dollars and/or transfer currency from a given country and repatriation of investments) and (5) uncertainties as to the status, interpretation and application of laws. In addition, there is often less publicly available information about issuers located in emerging market countries than about those in the United States. Issuers located in emerging market countries are not generally subject to uniform accounting, auditing and financial reporting standards, and auditing practices and requirements may not be comparable to those applicable to U.S. companies. In addition, investments in Emerging Market Securities may be denominated in currencies other than U.S. Dollars and may fluctuate in their value expressed in U.S. Dollars as a result of fluctuations in currency exchange rates.

Emerging Market Securities are generally unsecured and may be subordinated to certain other obligations of the issuer thereof. Many of such securities have lower ratings than comparable U.S. securities, reflecting a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or

both may impair the ability of the issuer to make payments of principal and interest. Such investments may be speculative.

During periods of limited liquidity and higher price volatility of the markets for emerging markets securities, the Issuer's ability to dispose of such securities or the timing or price thereof may be affected. The Issuer's inability to dispose fully and promptly of positions in declining markets will cause its net asset value to decline as the value of unsold positions is marked to lower prices. Accordingly, the ability of the Holders of the Preference Shares to effect redemptions may also be impaired.

It also may be difficult to obtain and enforce a judgment relating to debt obligation issued by foreign issuers, particularly issuers located in emerging market countries, in a court outside the United States. Further, custody and clearance risks may be associated with emerging market debt securities that do not clear through DTC or Euroclear in addition to those applicable to emerging market debt securities generally. There is a risk, for example, that such securities could be counterfeit, or subject to a defect in title or claims to ownership by other parties.

Synthetic Securities. A significant portion of the Collateral Debt Securities will consist of Synthetic Securities the Reference Obligations of which are CBO/CLO Securities or other Asset-Backed Securities. The Issuer may purchase or enter into Synthetic Securities on and after the Closing Date, provided that any such transaction does not cause the aggregate Principal Balance of the Synthetic Securities to exceed 40% of the Net Outstanding Portfolio Collateral Balance. Synthetic Securities may consist of credit default swaps, total return swaps, and credit linked notes or a combination of the foregoing. 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 Defeased Synthetic Security will require the Issuer to purchase Synthetic Security Collateral, which will expose the Issuer to the risk of loss on the Synthetic Security Collateral. With respect to Synthetic Securities, the Issuer will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the Reference Obligor(s) on the Reference Obligation(s). The Issuer 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), 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). In addition, in the event of the insolvency of the counterparty, the Issuer will be treated as a general creditor of such counterparty, and will not have any claim with respect to the Reference Obligation(s). Consequently, the Issuer will be subject to the credit risk of the Synthetic Security Counterparty as well as that of the Reference Obligor(s). As a result, concentrations of Synthetic Securities entered into with any one Synthetic Security Counterparty will subject the Offered Securities to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor(s). MLI, an affiliate of the Initial Purchaser, is expected to act as counterparty with respect to all of the Synthetic Securities which on the Closing Date the Issuer will commit to enter into, which relationship will create certain conflicts of interest. Each of the Synthetic Securities which the Issuer will enter into (or commit to enter into) on the Closing Date will be a Defeased Synthetic Security, consisting of a credit default swap under which the Issuer assumes the risk of a Reference Obligation and a related total return swap relating to the Synthetic Security Collateral. Furthermore, in its role as counterparty to all or a portion of the Synthetic Securities, will have the right to make determinations regarding the Reference Obligations and to approve or designate the Synthetic Security Collateral to be purchased by the Issuer. See "—Certain Conflicts of Interest—Certain Conflicts of Interest Involving the Initial Purchaser." Such credit default swaps will provide that, if interest at the interest rate in effect on a Reference Obligation on the date that the Issuer entered into the credit default swap is not paid in full on any scheduled interest payment date (for any reason, including an insufficiency of funds or the effect of an available funds cap), the payments by the Synthetic Security Counterparty will be reduced by the amount of such unpaid interest; as a result, the Interest Proceeds available to pay interest on the Notes and make distributions on the Preference Shares will be reduced.

The Issuer will enter into the Defeased Synthetic Securities pursuant to an ISDA Master Agreement with the Synthetic Security Counterparty, which may be terminated by the Issuer or by the Synthetic Security Counterparty in the event that any event or 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 the Issuer will not be permitted to reinvest the proceeds of such termination if the Substitution 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 Substitution Period has ended or the proposed reinvestment does not satisfy the Eligibility Criteria.

The entry into credit default swaps by the Issuer creates significantly 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 ISDA Master Agreement) 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 swaps, 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.

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.

The initial Form Approved Synthetic Security on the Closing Date will be a "pay as you go" credit default swap, under which the Issuer must pay to the Synthetic Security Counterparty the amount of principal not paid when due on the Reference Obligation and the amount of each "writedown" of the principal amount or certificate balance of the Reference Obligation (including "implied" or calculated writedowns similar to the Written Down Amount). Such credit default swaps will provide that, if interest at the interest rate in effect on a Reference Obligation on the date that the Issuer entered into the credit default swap is not paid in full on any scheduled interest payment date (for any reason, including an insufficiency of funds or the effect of an available funds cap), the payments by the Synthetic Security Counterparty will be reduced by the amount of such unpaid interest; as a result, the Interest Proceeds available to pay interest on the Notes and make distributions on the Preference Shares will be reduced. The initial Form Approved Synthetic Security also will provide that, if specified "credit events" occur, the Synthetic Security Counterparty may elect to physically settle by delivering the Reference Obligation to the Issuer, as described above.

Pursuant to the terms of the Synthetic Securities, 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 Securities 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.

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 certain 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.

Under credit default swaps, the Issuer will have credit exposure to a portfolio of Reference Obligations, some of which will be rated below-investment grade at the time they are included in a Synthetic Security. Ratings on the Reference Obligations may be downgraded or withdrawn after they are included in Synthetic Security.

The market for credit default swaps on Asset-Backed Securities has only existed for a few years and is not liquid (compared to the market for credit default swaps on investment grade corporate reference entities). Credit default swaps with "pay as you go" credit events similar to the Synthetic Securities which the Issuer will enter into the Closing Date have only recently been introduced into the market, and the terms have not yet been standardized and may change significantly after the Closing Date (which will make it more difficult for the Issuer to liquidate the Synthetic Securities). The current premiums which a "buyer" of protection will pay under credit default swaps for reference obligations which are Asset-Backed Securities are at very low levels (compared to the levels during the past five years). This results in part from the fact that the current interest rate spreads over LIBOR (or, in the case of fixed rate Asset-Backed Securities, 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 Counterparty 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 portfolio after an Event of Default. The Issuer may make termination payments to Synthetic Security Counterparties from Interest Proceeds, which will reduce the distributions on the Preference Shares.

While ISDA 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 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 ISDA Credit Derivatives Definitions are expected to continue to evolve. There can be no assurances that changes to 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 Credit Derivatives Definitions that are published by ISDA will only apply to credit default swaps if the Issuer and the Synthetic Swap Counterparty agree to amend the credit default swaps between them to incorporate such amendments or supplements. Markets in different jurisdictions have also already adopted and may continue to adopt different practices with respect to the ISDA Credit Derivative Definitions.

Therefore, in addition to the credit risk of the Reference Obligations and the credit risk of the Synthetic Swap Counterparty, the Issuer is also subject to the risk that the ISDA Credit Derivatives Definitions could be interpreted in a manner that would be adverse to the Issuer or that the credit derivatives market generally may evolve in manner that would be adverse to the Issuer.

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 will be invested in Eligible Investments or other Synthetic Security Collateral or other securities selected by the Synthetic Security Counterparty. 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 the 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." The terms of each Defeased Synthetic Security require the Issuer to secure its obligations with respect to such Synthetic Security by depositing funds into a Synthetic Security Counterparty Account. In accordance with the terms of the applicable Defeased Synthetic Securities, these funds will be invested in Eligible Investments or other Synthetic Security Collateral approved by the Synthetic Security Counterparty. After payment of all amounts owing by the Issuer to the Synthetic 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".

The Issuer may, with the consent of the related Synthetic Security Counterparty, enter into total return swaps with respect to such Synthetic Security Collateral with the Synthetic Security Counterparty (or a third party). The Issuer expects to enter into, on or shortly after the Closing Date, total return swap transactions with MLI relating to the Synthetic Security Collateral for the initial portfolio of Synthetic Securities. Under these total return swap transactions, MLI will have the right to approve the Synthetic Security Collateral, the Issuer will pay to MLI the yield on any Synthetic Security Collateral approved by MLI, MLI will have the right to terminate (in part or in whole) these transactions, and upon termination of any of these transactions the Issuer may be required to pay a termination payment to MLI.

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

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

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

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

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

The below investment grade ratings of a portion (up to 50% of the Net Outstanding Portfolio Collateral Balance at the time of acquisition by the Issuer) of the Collateral Debt Securities also will adversely affect the liquidity of the Collateral Debt Securities.

Unspecified Use of Proceeds. It is expected that on the Closing Date, proceeds from the issuance and sale of the Offered Securities will be used to purchase (or committed to purchase) Collateral Debt Securities having an aggregate Principal Balance of not less than U.S.\$163,000,000. The remainder of the proceeds from the issuance and sale of the Offered Securities (including amounts advanced in respect of the Class A-1S Notes after the Closing Date) may be invested in Collateral Debt Securities that may not have been identified by the Collateral Manager on the Closing Date. Purchasers of the Offered Securities 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 Offered Securities and in identifying investments over time. No assurance can be given that the Collateral Manager (on behalf of the Issuer) will be successful in obtaining suitable investments or that, if such investments are made, the objectives of the Issuer will be achieved.

Reinvestment Risk. Subject to the limits described under "Description of the Notes—Substitution Period," Principal Proceeds resulting from the sale of certain Collateral Debt Securities, other than Specified Principal Proceeds, may be reinvested in substitute Collateral Debt Securities during the Substitution Period. There is no limit on the Discretionary Sales which the Issuer may make prior to the Ramp Up Completion Date, and the Sale Proceeds from such sales may be reinvested in Substitute Collateral Debt Securities. The impact, including any adverse impact, of such sale or reinvestment on the holders of the Offered Securities would be magnified with respect to the Preference Shares due to the leveraged nature of the Preference Shares and with respect to the respective Classes of Notes due to the leveraged nature of such respective Classes of Notes. See "Description of the Notes—Substitution Period."

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

available to make payments of principal and interest on the Notes and distributions on the Preference Shares. After the last day of the Substitution Period, the Issuer will not be entitled to purchase any additional Collateral Debt Securities.

Prior to the end of the Substitution Period, Sale Proceeds (other than proceeds of the sale of Defaulted Securities, Deferred Interest PIK Bonds and Equity Securities) will not, unless the Collateral Manager designates such Sale Proceeds as Specified Principal Proceeds, be applied to redeem the aggregate outstanding principal amount of the Notes (except in certain circumstances described herein). If the Collateral Manager does not promptly reinvest such Principal Proceeds in substitute 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. This would result in a reduction of the amounts available for payment on the Notes and the Preference Shares.

Early Termination of the Substitution Period. Although the Substitution Period is expected to terminate on the Quarterly Distribution Date in February, 2009, the Substitution Period may terminate prior to such date if (i) the Collateral Manager notifies the Trustee of its election to make no further investments in substitute Collateral Debt Securities, (ii) an Event of Default occurs, (iii) the Moody's Maximum Rating Distribution of the Pledged Collateral Debt Securities exceeds 800 on any Measurement Date, (iv) the rating of (A) the Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B-1 Notes, Class B-2 Notes, or Class C Notes is reduced by one or more rating subcategories below the rating assigned to such Notes on the Closing Date, or withdrawn, or (B) any of the Class D Notes, Class E-1 Notes or Class E-2 Notes is reduced by two or more rating subcategories below the rating assigned to such Notes on the Closing Date, or withdrawn, in each case by one or both Rating Agencies or (v) Dynamic Credit resigns or is terminated as the Collateral Manager and the holders of 66-2/3% of the outstanding principal amount of the Notes of the Controlling Class elect to terminate the Substitution Period. If the Substitution Period terminates prior to the Quarterly Distribution Date in February 2009, 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."

Rating Confirmation Failure; Ramp-Up Test Date. The Issuer will notify the Trustee, each Rating Agency, each Hedge Counterparty and the Cashflow Swap Counterparty in writing within nine Business Days after the Ramp-Up Completion Date (such notification, a "Ramp-Up Notice"). In the Ramp-Up Notice, the Issuer will request that each Rating Agency confirm to the Issuer that it has not reduced or withdrawn the rating (including private or confidential ratings, if any) assigned by it on the Closing Date to any of the Notes or placed any Note on a watch list for possible downgrade (a "Rating Confirmation"). If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency by the later of (x) 30 Business Days following the delivery of the Ramp-Up Notice or (y) the first Determination Date following the Ramp-Up Completion Date (a "Rating Confirmation Failure"), then on the first Quarterly Distribution Date following the Ramp-Up Completion Date, the Issuer will be required to apply Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient, 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 *first*, the Class A-1S Notes, *second*, the Class A-1J Notes, *third*, the Class A-2 Notes, *fourth*, the Class B-1 Notes and the Class B-2 Notes, *pro rata*, *fifth*, the Class C Notes, *sixth*, the Class D Notes, including any Class D Deferred Interest Amount and *seventh*, the Class E-1 Notes and the Class E-2 Notes, *pro rata*, including any Class E-1 Deferred Interest Amount and Class E-2 Deferred Interest Amount, to the extent necessary to obtain a Rating Confirmation from each Rating Agency. Any such redemption of Notes may not result in the confirmation of the ratings on the Notes. Any such redemption is likely to occur on the second Quarterly Distribution Date (if the Ramp-Up Completion Date occurs on April 14, 2006), at which time there will be no Uninvested Proceeds remaining to effect such a redemption. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments."

No later than seven Business Days after the Ramp-Up Test Date, the Collateral Manager, on behalf of the Issuer, is required to certify to the Trustee, each Hedge Counterparty, the Cashflow Swap Counterparty and each Rating Agency that, on the Ramp-Up Test Date, (i) the Issuer has purchased or entered into binding agreements to purchase Collateral Debt Securities (including the Master Forward Sale Agreement) having an aggregate principal balance, together with the aggregate principal balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account, of not less than U.S.\$200,000,000 and (ii) the Moody's Maximum Rating Distribution Test and the Weighted Average Spread Test are satisfied (taking into account Collateral Debt Securities purchased under the Master Forward Sale Agreement). If, on the Ramp-Up Test Date, any of the applicable tests is not satisfied the Collateral Manager, on behalf of the Issuer, shall provide Moody's with a plan ("Plan") for

achieving compliance with such tests. Thereafter, the Issuer will only be permitted to purchase Collateral Debt Securities in accordance with the Plan until the Ramp-Up Completion Date, which may make it difficult for the Issuer to complete the acquisition of the initial portfolio of Collateral Debt Securities.

Credit Ratings. Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of the Collateral Debt Securities will be used by the Collateral Manager only as a preliminary indicator of investment quality. The Indenture permits the Issuer to acquire Collateral Debt Securities which are rated below investment grade so long as such acquisitions do not cause the Collateral Debt Securities which have below investment grade ratings from both Moody's and Standard & Poor's to exceed 50% of the Net Outstanding Portfolio Collateral Balance. Investments in non-investment grade and comparable unrated obligations will be more dependent on the Collateral Manager's credit analysis than would be the case in investment-grade obligations.

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 Initial Purchaser. Certain of the Collateral Debt Securities acquired or to be acquired by the Issuer will consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which the Initial Purchaser or an affiliate thereof has acted as underwriter, agent, placement agent or dealer or for which the Initial Purchaser or an affiliate thereof has acted as lender or provided other commercial or investment banking services. The Initial Purchaser or an affiliate thereof 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 has acted as underwriter, agent, placement agent or dealer for a significant portion of the CBO/CLO Securities. In addition, an affiliate of the Initial Purchaser may act as a Hedge Counterparty under one or more Hedge Agreements with the Issuer. Moreover, the Initial Purchaser or its affiliates may from time to time enter into derivative transactions with third parties with respect to the Offered 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) Offered Securities, Collateral Debt Securities or one or more portfolios of financial assets similar to the portfolio of Collateral Debt Securities acquired by (or intended to be acquired by) the Issuer. MLI will purchase the Class A-1S Notes on the Closing Date and, as a result, may initially and at any time thereafter be able to exercise the rights of the Controlling Class. On or after the Closing Date, the Initial Purchaser and its Affiliates may purchase other Offered Securities. Offered Securities held by the Initial Purchase and any of its Affiliates will have the right to vote on all matters. These activities may create certain conflicts of interest, and there can be no assurance that the terms on which the Issuer entered into (or enters into) any of the foregoing transactions with the Initial Purchaser or an affiliate thereof were or are the most favorable terms available in the market at the time from other potential counterparties.

MLI, an affiliate of the Initial Purchaser is expected to act as counterparty with respect to the Synthetic Securities acquired (or entered into) by the Issuer on or shortly after the Closing Date, and may act as the counterparty with respect to the Synthetic Securities entered into or acquired after the Closing Date. As a Synthetic Security Counterparty, MLI will have the right to approve or designate the Synthetic Security Collateral, which right it will exercise in its own commercial interests (and not as an advisor to the Issuer). Furthermore, MLI in its role as counterparty to all or a portion of the Synthetic Securities will make determinations regarding the 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 Preference Shares. The Synthetic Security Counterparty also will enter into total return swap transactions with the Issuer relating to the Synthetic Security Collateral, which will expose the Issuer to the credit risk of such affiliate of the Initial Purchaser.

In addition, MLI will sell all or most of the initial portfolio of Collateral Debt Securities to the Issuer on the Closing Date. MLI will also enter into the Master Forward Sale Agreement with the Issuer on the Closing Date,

pursuant to which the Issuer after the Closing Date will agree to acquire securities from MLI on forward sale basis during the Ramp-Up Period.

Conflicts of Interest Involving the Collateral Manager. Various potential and actual conflicts of interest may exist from the overall investment activities of the Collateral Manager, its officers and its affiliates and their employees for their own accounts or for the accounts of others. The Collateral Manager and its officers and 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. The Collateral Manager may acquire CBO/CLO Securities 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 CBO/CLO 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 CBO/CLO Securities, high-yield bonds and loans, 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 officers and 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. Likewise, the Issuer may not be able to invest in opportunities where other clients 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 which 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 in this section may have an adverse impact on the Issuer and the holders of the Offered Securities 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 and its officers, directors, agents and 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 officers and affiliates and their employees, either for their own accounts or for the accounts of others, may invest in securities or obligations that are senior or junior to, or have interests different from or adverse to, the securities or obligations that are acquired by 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 the high-yield bonds, loans or other obligations that back such Collateral Debt Securities and/or have investments (including equity investments) in the issuers of such Collateral Debt Securities, high-yield bonds, loans and other obligations. The Collateral Manager and its affiliates are active participants in the market for trading Asset-Backed Securities including CBO/CLO Securities, high yield bonds and loans 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 Securities, any Synthetic Security Counterparty, any Hedge Counterparty or the Cashflow Swap Counterparty. Without limiting the generality of the foregoing, the Collateral Manager, and its officers, agents and 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 the Collateral Manager to act in a manner adverse to the Issuer. If the Collateral Manager and its officers, agents and 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 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 providing services to the Collateral Manager will devote as much time to the management of the Collateral Debt Securities of the Issuer as the Collateral Manager 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 Collateral Manager.

The Collateral Manager and/or an affiliate may purchase Preference Shares on the Closing Date. Officers of the Collateral Manager, other affiliates of the Collateral Manager, and their officers and employees may also purchase Preference Shares on the Closing Date. Affiliates of the Collateral Manager and their officers and employees may also purchase Notes without additional restrictions. Neither the Collateral Manager nor any of its affiliates nor any officers of the Collateral Manager or any affiliate is under any obligation to hold any Offered Securities so purchased for any period of time. There will be no restriction on the ability of the Collateral Manager or its affiliates or employees to purchase the Offered Securities (either upon initial issuance or through secondary transfers) and to exercise any voting rights to which such Offered Securities are entitled (except that Offered Securities held by the Collateral Manager, certain of its affiliates and their respective employees shall be disregarded with respect to voting rights under certain circumstances as described in the Indenture and the Collateral Management Agreement, in relation to the removal of the Collateral Manager).

Although the Collateral Manager or its affiliates or its clients may at times be a holder of Offered Securities, its interests and incentives will not necessarily be completely aligned with those of the other holders of the Offered Securities (or of the holders of any particular Class of the Notes or the Preference Shares). The ownership of Preference Shares by it and its affiliates may give the Collateral Manager an incentive to take actions that vary from the interests of the holders of the Notes.

On the Closing Date, the Issuer will pay a fee to the Collateral Manager and reimburse the Collateral Manager for certain of its expenses.

In addition, the Collateral Manager, its affiliates and their respective clients may invest in securities (or make loans) that are included among, rank *pari passu* with or senior or junior to Collateral Debt Securities held by the Issuer, or have interests different from or adverse to those of the Issuer.

Conflicts of Interest Involving the Trustee. The Trustee or an affiliate thereof may have acted as trustee for a significant portion of the CBO/CLO Securities included in the Collateral, which may create certain conflicts of interest for the Trustee in carrying out its obligations under the Indenture or under the indentures governing such CBO/CLO Securities. 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.

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

In addition, on the Closing Date, the Issuer will enter into the Master Forward Sale Agreement pursuant to which the Issuer may purchase additional Collateral Debt Securities from MLI on April 14, 2006 (unless MLI and the Issuer agree to any other Business Day during the Ramp-Up Period) to the extent there are Uninvested Proceeds or funds are available to the Issuer from Borrowings under the Class A-1S Notes. The purchase price payable for any Collateral Debt Security purchased by the Issuer pursuant to the Master Forward Sale Agreement will be the price determined at the time such Collateral Debt Security is purchased by MLI at the request of the Collateral Manager. Accordingly, the Issuer will bear the risk of market changes subsequent to the acquisition of such Collateral Debt Securities as if it had acquired such Collateral Debt Securities directly at the time of purchase by MLI of such Collateral Debt Securities and not the date of acquisition.

If MLI or an affiliate of MLI were to become the subject of a case or proceeding under the United States Bankruptcy Code, another applicable insolvency law or a stockbroker liquidation under the Securities Investor Protection Act of 1970, the trustee in bankruptcy, other liquidator or the Securities Investor Protection Corporation could assert that Collateral Debt Securities acquired from MLI or such affiliate of MLI are property of the insolvency estate of MLI or such affiliate of MLI. Property that MLI or such affiliate of MLI had pledged or assigned, or in which MLI or such affiliate of MLI had granted a security interest, as collateral security for the payment or performance of an obligation, would be treated as property of the estate of MLI or such affiliate of MLI. Property that MLI or such affiliate of MLI had sold or absolutely assigned and transferred to another party, however, would not be property of the estate of MLI or such affiliate of MLI. The Issuer does not expect that the purchase by the Issuer of Collateral Debt Securities, under the circumstances contemplated by this Offering Circular, would be deemed to be a pledge or collateral assignment (as opposed to the sale or other absolute transfer of such Collateral Debt Securities to the Issuer) of such Collateral Debt Securities to the Issuer, but there is no guarantee that a bankruptcy court would not deem such purchase of Collateral Debt Securities to be a pledge or collateral assignment.

Ramp-Up Period Purchases. The amount of Collateral Debt Securities purchased on the Closing Date and the amount and timing of the purchase of additional Collateral Debt Securities prior to the Ramp-Up Completion Date, will affect the return to holders of, and cash flows available to make payments on, the Offered Securities. There is no limit on the Discretionary Sales which the Issuer may make prior to the Ramp Up Completion Date, and the Sale Proceeds from such sales may be reinvested in Substitute Collateral Debt Securities. Reduced liquidity and lower volumes of trading in certain Collateral Debt Securities, in addition to restrictions on investment contained in the Eligibility Criteria, could result in periods during which the Issuer is unable to be fully invested in Collateral Debt Securities. During any such period, excess cash is expected to be invested in Eligible Investments. Because of the short term nature and credit quality of Eligible Investments, the interest rates payable on Eligible Investments tend to be significantly lower than the rates the Issuer would expect to earn on Collateral Debt Securities. The longer the period before investment or reinvestment in Collateral Debt Securities, the greater the adverse impact on aggregate Interest Proceeds collected and distributed by the Issuer, resulting in a lower yield than could have been obtained if the net proceeds associated with the Offering were immediately invested in Collateral Debt Securities and remained invested in Collateral Debt Securities at all times.

In addition, the timing of the purchase of Collateral Debt Securities on or prior to the last day of the Substitution Period, the amount of any purchased accrued interest, the deferral of the Borrowing under the Class A-1S Notes until April 14, 2006, the scheduled interest payment dates of the Collateral Debt Securities and the amount of the net proceeds associated with the Offering invested in lower-yielding Eligible Investments until reinvested in Collateral Debt Securities may have a material impact on the amount of Interest Proceeds collected during any Due Period, which could adversely affect interest payments on Notes and distributions on Preference Shares. The Issuer will use commercially reasonable efforts to purchase or enter into binding agreements to purchase on or before April 14, 2006, Collateral Debt Securities having an aggregate Principal Balance together with the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account, of not less than U.S.\$250,000,000 (in each case, assuming for these purposes (i) settlement in accordance with customary settlement procedures in the relevant markets on the Ramp-Up Completion Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Ramp-Up Completion Date, (ii) that each such Collateral Debt Security is a Pledged Collateral Debt Security and (iii) that funds are available to the Issuer from Borrowings under the Class A-1S Notes).

Although the entire aggregate principal amount of the Class A-1J Notes, Class A-2 Notes, Class B-1 Notes, Class B-2 Notes, Class C Notes, Class D Notes, Class E-1 Notes and Class E-2 Notes will be advanced on the Closing Date, the entire aggregate principal amount of the Class A-1S Notes will not be advanced until April 14, 2006. During the period (the "Ramp-Up Period") from, and including, the Closing Date to, and including, the Ramp-Up Completion Date, the Issuer will rely upon its ability to borrow from the holders of the Class A-1S Notes on and subject to the terms and conditions in the Class A-1S Note Purchase Agreement in order to purchase eligible Collateral Debt Securities (for inclusion in the Collateral) having an aggregate Principal Balance of not less than the aggregate Principal Balance necessary for the Issuer to comply with its obligations under the Indenture. The Issuer will acquire most of the Collateral Debt Securities pursuant to the Warehouse Agreement or Master Forward Sale Agreement. Because the Issuer will only receive the interest on such Collateral Debt after April 14, 2006 (the date on which MLI is expected to sell the Collateral Debt Securities to the Issuer under the Master Forward Sale Agreement), the Issuer will derive most of the Interest Proceeds during the first Due Period from the Collateral Debt Securities purchased by it on the Closing Date.

If the Issuer has succeeded in acquiring Collateral Debt Securities having an aggregate Principal Balance of U.S.\$250,000,000 by the Ramp-Up Completion Date and the Issuer obtains a Rating Confirmation from each Rating Agency by the first Determination Date following the Ramp-Up Completion Date, all Uninvested Proceeds remaining on the first Determination Date thereafter are required to be applied as Principal Proceeds. If the Issuer is unable to obtain such a Rating Confirmation from each Rating Agency, such Uninvested Proceeds will be used to repay principal of the Notes on the first Quarterly Distribution Date following the Ramp-Up Completion Date in accordance with the Priority of Payments to the extent necessary to obtain a Rating Confirmation from each Rating Agency. If the Issuer does not succeed in acquiring Collateral Debt Securities having an aggregate Principal Balance of U.S.\$250,000,000 by the Ramp-Up Completion Date, all Uninvested Proceeds will be used to pay principal of the Notes.

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. Key persons employed by the Collateral Manager may not continue to hold positions with the Collateral Manager during the term of the Collateral Management Agreement, and additional personnel not identified to the Issuer or the holders of the Offered Securities may perform such functions. See "The Collateral Manager" and "The Collateral Management Agreement."

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

Removal of the Collateral Manager: The Collateral Manager may be removed at any time with cause and replaced with a replacement collateral manager under the circumstances described under "The Collateral Management Agreement—Termination of the Collateral Management Agreement." 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 by the Issuer unless "cause" exists.

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. As a result, forward looking statements involve significant elements of subjective judgment and analysis. No representation is made by any of the Co-Issuers, the Trustee, the Collateral Manager or the Initial Purchaser that all possible assumptions have been considered or stated. 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 such 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 included in the Collateral among asset categories from those assumed, the timing of acquisitions of the Collateral Debt Securities by the Issuer, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Collateral Debt Securities included in the Collateral (particularly during the period on or prior to the last day of the Substitution Period), defaults under Collateral Debt Securities included in the Collateral and the effectiveness of each Hedge Agreement and the Cashflow Swap Agreement, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Trustee, the Collateral Manager, any Hedge Counterparty, the Cashflow Swap Counterparty, the Initial Purchaser or any of their respective affiliates or any other person or entity of the results that will actually be achieved by the Issuer.

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

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

Money Laundering Prevention. "The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "USA PATRIOT Act"), effective as of October 26, 2001, requires broker-dealers registered with the Securities and Exchange Commission and the National Association of Securities Dealers (the "NASD"), such as the Initial Purchaser, to establish and maintain anti-money laundering programs. With respect to the content of those programs, the NASD has issued a rule that requires broker-dealers to establish and maintain anti-money laundering programs similar to those currently in place at U.S. banks. On April 23, 2002, the Treasury Department issued regulations pursuant to the USA PATRIOT Act that, as amended, exempt "investment companies" such as the Issuer from the anti-money laundering requirements set out thereunder for an indefinite period of time, pending the issuance of a final rule. On September 18, 2002, the Treasury Department issued proposed regulations that, if enacted in their current form, will compel certain "unregistered investment companies" to undertake certain activities including establishing, maintaining and periodically testing an anti-money laundering compliance program, and designating and training personnel responsible for that compliance program. As part of the rulemaking process, the Treasury Department is considering the appropriate definition of, and exceptions to, the term "unregistered investment company." The Treasury Department may, in its final rule, define such term in such a way as to include the Issuer. In addition, in April 2003, the Treasury Department published proposed regulations that would require certain investment advisers to establish anti-money laundering programs. The Issuer will continue to monitor the ambit of the proposed regulations, and of the exceptions thereto, and will take all necessary steps (if any) required to comply with those regulations once they are finalized and made effective. It is possible that legislation or regulations could be promulgated which will require the Collateral Manager or other service providers to the Co-Issuers to share information with governmental authorities with respect

to investors in the Offered Securities in connection with the establishment of anti-money laundering procedures or require the Issuer to implement additional restrictions on the transfer of the Offered Securities. The Issuer reserves the right to request such information as is necessary to verify the identity of the holder of an Offered Security and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by the Treasury Department or by any other governmental or self-regulatory agency. Legislation and/or regulations could require the Issuer to implement additional restrictions on the transfer of the Offered Securities. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of the Offered Securities and the subscription monies relating thereto may be refused.

The Issuer and the Administrator are subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Criminal Conduct Law (2001 Revision) (the "PCCL"). Pursuant to the PCCL the Cayman Islands government enacted The Money Laundering Regulations (2003 Revision), which impose specific requirements with respect to the obligation "to know your client." Except in relation to certain categories of institutional investors, the Issuer will require a detailed verification of each investor's identity and the source of the payment used by such investor for purchasing the Offered Securities in a manner similar to the obligations imposed under the laws of other major financial centers. In addition, if any person who is resident in the Cayman Islands knows or has a suspicion that a payment to the Issuer (by way of investment or otherwise) contains the proceeds of criminal conduct, that person must report such suspicion to the Cayman Islands authorities pursuant to the PCCL. If the Issuer were determined by the Cayman Islands government to be in violation of the PCCL or The Money Laundering Regulations (2003 Revision), the Issuer could be subject to substantial criminal penalties. Such a violation could materially adversely affect the timing and amount of payments by the Issuer to the holders of the Offered Securities.

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

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

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

Issuer May Cause a Transfer of Notes, Combination Securities 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 a Regulation S Combination Security (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 Restricted Combination Security (or any interest therein) is not both a Qualified Institutional Buyer (unless such beneficial owner is an Accredited Investor that purchased such Restricted Note (or any interest therein) directly from the Co-Issuers or the Initial Purchaser), and also a Qualified Purchaser, then the Co-Issuers shall require, by notice to such beneficial owner or holder, that such beneficial owner or holder sell all of its right, title and interest to such Note or Combination Security. See "Transfer Restrictions."

The Preference Share Documents provide that if, notwithstanding the restrictions contained therein, the Issuer determines that any beneficial owner of a Preference Share or an interest therein (x) is or becomes a Benefit Plan Investor or a Controlling Person and did not disclose in an Investor Application Form (or a transfer certificate) that it was a Benefit Plan Investor or a Controlling Person (or, in the case of Regulation S Global Preference Shares, represented that it was not a Benefit Plan Investor), (y) is a U.S. Person (in the case of a Regulation S Global Preference Share) or (z) is not both (i) a Qualified Institutional Buyer or an Accredited Investor and (ii) a Qualified Purchaser (in the case of a Restricted Preference Share), the Issuer shall require, by notice to such holder, that such holder sell all of its right, title and interest to such Preference Share (or interest therein). See "Transfer Restrictions."

Mandatory Repayment of the Notes. After the Ramp-Up Completion Date, if any Coverage Test is not met, Interest Proceeds and if needed Principal Proceeds will be used to repay principal of one or more Classes of Notes to the extent that funds are available in accordance with the Priority of Payments and to the extent necessary to restore the relevant Coverage Test(s) to certain minimum required levels. See "Description of the Notes—Mandatory Redemption."

If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency by the first Determination Date following the Ramp-Up Completion Date, the Issuer will be required to apply Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient to redeem the Notes to the extent necessary to obtain a Rating Confirmation, Interest Proceeds and, to the extent that Interest Proceeds are insufficient to redeem the Notes to the extent necessary to obtain a Rating Confirmation, Principal Proceeds on the first Quarterly Distribution Date, in each case in accordance with the Priority of Payments, to the repayment of principal of *first*, the Class A-1S Notes, *second*, the Class A-1J Notes, *third*, the Class A-2 Notes, *fourth*, the Class B-1 Notes and the Class B-2 Notes, *pro rata*, *fifth*, the Class C Notes, *sixth*, the Class D Notes, including any Class D Deferred Interest Amount and *seventh*, the Class E-1 Notes and the Class E-2 Notes, *pro rata*, including any Class E-1 Deferred Interest Amount and Class E-2 Deferred Interest Amount to the extent necessary to obtain a Rating Confirmation from each Rating Agency.

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

Auction Call Redemption. In addition, if the Notes have not been redeemed in full prior to the Quarterly Distribution Date occurring in May 2014, then an auction of the Collateral Debt Securities included in the Collateral will be conducted and, *provided* that certain conditions are satisfied, such Collateral Debt Securities will be sold and the Notes will be redeemed (in whole, but not in part) on such Quarterly Distribution Date. If such conditions are not satisfied and the auction is not successfully conducted on such Quarterly Distribution Date, the Trustee will conduct auctions on a quarterly basis until the Notes are redeemed in full. See "Description of the Notes—Auction Call Redemption." Each Hedge Agreement and the Cashflow Swap Agreement will terminate upon an Auction Call Redemption and the Issuer may be required to make termination payments to the Hedge Counterparties and/or the Cashflow Swap Counterparty, respectively. In order to effect an Auction Call Redemption, the Issuer will be required to terminate each Synthetic Security which may be required to pay termination payments to each Synthetic Security Counterparty (including MLI). Such termination payments to Synthetic Security Counterparties, the Cash Flow Swap Counterparty and any Hedge Counterparties may prevent the Issuer from satisfying the conditions for an Auction Call Redemption.

Optional Redemption. Subject to satisfaction of certain conditions, a Majority-in-Interest of Preference Shareholders may require that the Notes be redeemed in whole and not in part as described under "Description of the Notes—Optional Redemption and Tax Redemption," *provided* that no such optional redemption may occur prior to the Quarterly Distribution Date occurring in February 2010. Each Hedge Agreement and the Cashflow Swap Agreement will terminate upon any Optional Redemption and the Issuer may be required to make termination payments to the Hedge Counterparties and/or the Cashflow Swap Counterparty, respectively. In order to effect an Optional Redemption, the Issuer will be required to terminate each Synthetic Security which may be required to pay termination payments to each Synthetic Security Counterparty (including MLI). Such termination payments to Synthetic Security Counterparties, the Cash Flow Swap Counterparty and any Hedge Counterparties may prevent the Issuer from satisfying the conditions for an Optional Redemption.

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

Interest Rate Risk: Fixed and Floating. The Offered Securities are subject to interest rate risk. The Collateral Debt Securities held by the Issuer may bear interest at a fixed or floating rate. In addition, to the extent the Collateral Debt Securities bear interest at a floating rate, the interest rate on such Collateral Debt Securities may adjust more frequently or less frequently, on different dates and based on different indices than the interest rate on the Notes. As a result of the foregoing, there will 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 Floating Rate Notes bear interest at a rate based on LIBOR as determined on the relevant LIBOR Determination Date. A portion of the Collateral Debt Securities included in the Collateral will be obligations that bear interest at fixed rates. Accordingly, the Floating Rate Notes are subject to interest rate risk to the extent that there is an interest rate mismatch between the floating rate at which interest accrues on the Floating Rate Notes and the rates at which interest accrues on fixed rate Collateral Debt Securities included in the Collateral.

A portion of the Collateral Debt Securities included in the Collateral may be obligations that pay interest more frequently than quarterly. Accordingly, a difference in the rates payable for one-month LIBOR or two-month LIBOR versus three-month LIBOR could adversely impact the ability of the Issuer to make payments on the Notes. In addition, any payments of principal of or interest on Pledged Collateral Debt Securities received during a Due Period will be reinvested in Eligible Investments maturing not later than the Business Day immediately preceding the next Quarterly Distribution Date. There is no requirement that Eligible Investments bear interest at LIBOR, and the interest rates available for Eligible Investments are inherently uncertain. 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). On the Closing Date, the Issuer will not enter into any Hedge Agreement that will minimize the Issuer's exposure to the interest rate risks described above. Neither the Basis Swap nor the Cashflow Swap Agreement will hedge the Issuer's exposure to these interest rate risks. To mitigate a portion of such interest rate or payment mismatches, the Issuer may after the Closing Date enter into Deemed Floating Rate Hedge Agreements with respect

to specific Collateral Debt Securities. The terms of such Deemed Floating Rate Hedge Agreements have not been agreed by the Issuer and any Hedge Counterparty and there can be no assurance that any Deemed Floating Rate Hedge Agreement will be entered into. There can be no assurance that the Collateral Debt Securities included in the Collateral and Eligible Investments, together with such Hedge Agreements, if any, will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Notes or will successfully mitigate the interest rate mismatch. Moreover, the benefits of any Hedge Agreement may not be achieved in the event of the early termination of such Hedge Agreement, including termination upon the failure of the relevant Hedge Counterparty to perform its obligations thereunder. See "Security for the Notes—The Hedge Agreements."

Liquidity Risk Associated with PIK Bonds. A significant portion of the Collateral Debt Securities is expected to consist of PIK Bonds, *i.e.*, securities that permit the deferral of interest, even though such deferral does not result in the occurrence of an event of default or other similar event that would permit the holders of such Collateral Debt Securities to exercise remedies, including CBO/CLO Securities that permit such deferral. As a result, the Issuer may not receive sufficient current payments of interest on the Collateral Debt Securities in order to finance current payments of interest on the Notes. To mitigate this risk, the Issuer will on the Closing Date enter into the Cashflow Swap Agreement with respect to the Class A Notes, Class B Notes and Class C Notes. However, there can be no assurance that the Collateral Debt Securities and Eligible Investments, together with the Cashflow Swap Agreement in the case of the Class A Notes, Class B Notes and Class C Notes, will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Notes. Moreover, the benefits of the Cashflow Swap Agreement to the holders of the Class A Notes, Class B Notes and Class C Notes may not be achieved if the Cashflow Swap Counterparty fails to perform its obligations thereunder. See "The Cashflow Swap Agreement."

Cashflow Swap Counterparty and Basis Swap Counterparty. AIG Financial Products Corp. ("AIG-FP") will be the Cashflow Swap Counterparty and the Basis Swap Counterparty. American International Group, Inc. ("AIG") is the guarantor of the payment obligations of its subsidiary, AIG-FP, with respect to the Cashflow Swap Agreement and the Basis Swap entered into between AIG-FP and the Issuer.

In a press release on November 9, 2005, AIG announced that it had discovered certain errors in its prior financial statements. The press release stated that the most significant errors relate to previously disclosed material weaknesses in internal controls surrounding accounting for derivatives and related assets and liabilities under FAS 133, reconciliation of certain balance sheet accounts and income tax accounting. The press release further stated that AIG continues to believe its hedging activities have been and remain economically effective, but do not qualify for hedge accounting treatment. Furthermore, the press release stated that AIG's remediation of the material weaknesses in internal controls disclosed in its 2004 Form 10-K is continuing and further remediation developments will be described in future filings with the Securities and Exchange Commission. AIG stated in the press release that it is in the process of restating its financial statements for the years ended December 31, 2004, 2003 and 2002, along with affected Selected Consolidated Financial Data for 2001 and 2000 and quarterly financial information for 2004 and the first two quarters of 2005 and that AIG's prior financial statements for those periods should therefore no longer be relied upon. Prospective purchasers should review the full press release of AIG dated November 9, 2005 which is available on the AIG website (www.AIG.com) for further information. Neither the Co-Issuers nor the Initial Purchaser have made any investigation of the information contained in such press release.

Subsequent to the press release, AIG filed a Form 10-Q for the quarterly period ended September 30, 2005, which can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of such Form 10-Q can be obtained from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. The SEC also maintains a web site at <http://www.sec.gov> which contains such Form 10-Q.

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

Up Front Payment. The Basis Swap in effect on the Closing Date will provide that the Basis Swap Counterparty make an Up Front Payment of U.S.\$4,245,000 on the Closing Date to the Issuer. The payments to be made by the Issuer to the Basis Swap Counterparty under the Basis Swap include the repayment by the Issuer of this Up Front Payment together with interest thereon. As a result of this Up Front Payment, the amount payable under the Basis Swap by the Issuer on each Quarterly Distribution Date will be greater than it would have been had the Up Front Payment not been made. Therefore, funds available to pay interest on the Notes and distributions on the Preference Shares will be less on each Quarterly Distribution Date than they otherwise would have been had the Up Front Payment not been made. Moreover, in the event of an early termination of the Basis Swap, the Issuer may be required to make a termination payment to the Basis Swap Counterparty (and the amount of such termination payment will be larger) as a result of the Up Front Payment. However, the initial cash balance in the Uninvested Proceeds Account will be higher on the Closing Date than it would have been if the Up Front Payment had not been made. The Issuer's obligations to the Basis Swap Counterparty in respect of repayment of the Up Front Payment, together with interest thereon, will be secured under the Indenture and will be senior in priority to the Issuer's obligations to pay interest on, and principal of, the Notes.

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 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.

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

The average life of each Class of Notes will be affected by the financial condition of the obligors on or issuers of the Collateral Debt Securities included in the Collateral and the characteristics of such Collateral Debt Securities, including the existence and frequency of exercise of any prepayment, optional redemption or sinking fund features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities, the frequency of tender or exchange offers for such Collateral Debt Securities and any sales of such Collateral Debt Securities and any dividends or other distributions received in respect of Equity Securities, as well as the risks unique to investments in obligations of foreign issuers described above. During the Substitution Period, Specified Principal Proceeds received by the Issuer will be used to pay principal of the Notes in accordance with the Priority of Payments. Accordingly, the average life of the Notes may be affected by the rate of principal payments on the underlying Collateral Debt Securities and, during the Substitution Period, by the receipt by the Issuer of Specified Principal Proceeds resulting from, among other things, the sale of Defaulted Securities and Deferred Interest PIK Bonds. See "Maturity, Prepayment and Yield Considerations" and "Security for the Notes."

Distributions on the Preference Shares; Investment Term; Non-Petition Agreement. Prior to the payment in full of the Notes and all other amounts owing under the Indenture, Preference Shareholders will be entitled to receive distributions 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. Each initial purchaser of Preference Shares will be required to covenant in an Investor Application Form (and, except for transfers of a beneficial interest in a Regulation S Global Preference Share, each transferee of Preference Shares will be required to covenant in a transfer certificate) that it will not cause the filing of a petition in bankruptcy against the Issuer before one year and one day have elapsed since the payment in full of the Notes or, if longer, the applicable preference period then in effect. If such provision failed to be effective to preclude the filing of a petition under applicable bankruptcy laws, then the filing of such a petition could result in one or more payments on the 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 and the affected Noteholders may be required to remit payments previously received to the bankruptcy trustee or similar official.

Dispositions of Defaulted Securities, Credit Risk Securities, Credit Improved Securities, Deferred Interest PIK Bonds and Equity Securities. The Issuer is required to sell certain types of Equity Securities and equity securities received in an Offer within 20 Business Days of receipt thereof (or within 20 Business Days after such later date as such Equity Security or equity security or may be first sold in accordance with its terms and applicable law) and use its reasonable best efforts to sell other types of Equity Securities within one year of receipt thereof (or within one year after such later date as such Equity Securities may first be sold in accordance with its terms and applicable law). The Issuer may, at the direction of the Collateral Manager, sell any Defaulted Security (or in the case of a Defaulted Synthetic Security, exercise its right to terminate), Deferred Interest PIK Bond, Credit Improved Security or Credit Risk Security at any time; *provided* that the Collateral Manager shall use its reasonable best efforts to direct the Issuer to sell any Defaulted Security (including a Defaulted Synthetic Security) within three years after such security becomes a Defaulted Security (or within three years after such Defaulted Security may first be sold). The Collateral Manager may not make any Discretionary Sales of Collateral Debt Securities after the Substitution Period ends.

Procedures relating to Discretionary Sales and the sale of Defaulted Securities, Credit Improved Securities, Credit Risk Securities, Deferred Interest PIK Bonds, Equity Securities and equity securities held by the Issuer are set forth in the Indenture. The Collateral Manager will not be able to exercise its discretion outside of those procedures in connection with such sales, and may not be able to sell any other Collateral Debt Securities included in the Collateral, in response to changes in related credit or market risks or other events.

Termination of Hedge Agreements and the Cashflow Swap Agreement and Liquidation of Collateral Upon Redemption or after an Event of Default; Market Value of Collateral. Each Hedge Agreement (including the Basis Swap) and the Cashflow Swap Agreement 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 and the Cashflow Swap Counterparty. Any such termination payment would reduce the proceeds available to be distributed on the Offered Securities and, as a result, the proposed redemption or liquidation of the Collateral after an Event of Default may not occur if it does not satisfy the requirements in the Indenture. In addition, an Optional Redemption, a Tax Redemption, an Auction Call Redemption or liquidation of the Collateral after an Event of Default 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 sell 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 (other than in the case of a successful Auction Call Redemption) 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 market value of the Collateral is insufficient, the holders of the Preference Shares may receive no distribution and, on an Accelerated Maturity Date, holders of the Notes may suffer a loss.

Listing. Application has been made to the Irish Stock Exchange for the Notes (other than the Class A-1 Notes) to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. Application will be made to the CSE for the listing of the Preference Shares and the Combination Securities. 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 or Notes are admitted to the Daily Official List of the Irish Stock Exchange, the Issuer may at any time terminate the listing of the Notes if the Issuer determines that, as a result of a change in the requirements of the Irish Stock Exchange, the maintenance of such listing would impose any material obligation or expense on the Issuer (in excess of the amount anticipated on the Closing Date). If the Preference Shares or Combination Securities are listed on the CSE, the Issuer may at any time terminate the listing of the Preference Shares or the Combination Securities if the Issuer determines that, as a result of a change in the requirements of the CSE, the maintenance of such listing would impose any material obligation or expense on the Issuer (in excess of the amount anticipated on the Closing Date). If the Issuer terminates the listings, it will make reasonable endeavors to seek a replacement listing on such other stock exchange outside the European Union that is a member of the International Federation of Stock Exchanges and that is located in a state that is a member of the Organization for Economic Cooperation and Development, unless obtaining or maintaining a listing on such stock exchange requires the Issuer to restate its accounts or is otherwise unduly burdensome, in which event the Issuer will make reasonable endeavors to obtain a replacement listing elsewhere.

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. There can be no assurance, however, that its net income will not become subject to U.S. Federal income tax as the result of unanticipated activities of the Issuer, changes in law or contrary conclusions by U.S. tax authorities. 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. Neither the Issuer nor the Collateral Manager will, however, make any independent investigation of the circumstances surrounding the issuance of the Issuer's assets and, thus, there can be no assurance that in every case, payments on the Collateral Debt Securities, Eligible Investments and the Hedge Agreements, will not be or become subject to U.S. or other withholding 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 subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. The imposition of unanticipated withholding taxes or tax on the Issuer's net income could materially impair the Issuer's ability to pay principal of, and interest on, the Notes and make distributions on the Preference Shares. See "Income Tax Considerations."

Treatment as a "Variable Interest Entity." On January 17, 2003, the United States Financial Accounting Standards Board issued its Interpretation No. 46, Consolidation of Variable Interest Entities. This interpretation is intended to improve the public understanding and governance of "special-purpose entities." At issue under this interpretation is when a participant in a financial transaction with a special-purpose entity should include the assets, liabilities, revenues, and expenses of such special-purpose entity in its own consolidated financial statements as opposed to accounting for just its investment in or contracts with such special-purpose entity. This interpretation governs the consolidation of so-called "variable interest entities" by reason of factors other than ownership of a majority of the voting stock of a company. The Co-Issuers are likely to be treated as "variable interest entities" under this interpretation.

No Gross Up. The Issuer expects that payments of principal and interest by the Issuer on the Notes, and distributions of dividends and return of capital 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 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 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. shareholder must generally choose either (1) to elect to treat the Issuer as a qualified electing fund ("QEF") as a result of which such shareholder 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.

If a U.S. shareholder makes a QEF election, it is possible that such shareholder will pay taxes on "phantom income" (i.e., such shareholder's pro rata share of the Issuer's taxable income that such shareholder must recognize currently and that is not matched by cash distributions received from the Issuer).

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

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. shareholders would have to currently include their pro rata shares of the Issuer's "subpart F" income as ordinary income without regard to cash distributions and recognize ordinary income in 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 and a U.S. shareholder could pay taxes on "phantom income" as a result of its subpart F inclusions if the Issuer were a CFC.

The Issuer will invest in a significant amount of Collateral Debt Securities issued by other PFICs. While the Issuer generally intends to invest in such securities that the underlying PFIC issuers expect to treat as debt for U.S. Federal income tax purposes, it is possible that the U.S. Internal Revenue Service could recharacterize such Collateral Debt Securities as equity for U.S. Federal income tax purposes. In such event, a U.S. shareholder would have to make a separate QEF election with respect to each such underlying PFIC. It is likely that the Issuer may not receive, and consequently, may not be able to provide U.S. shareholders with the information needed to make the necessary QEF election on a timely basis with respect to each such underlying PFIC. A U.S. shareholder's inability to make a timely QEF election (or to obtain PFIC Annual Statements) with respect to each such underlying PFIC would result in significant adverse tax consequences to such shareholder as a result of the excess distribution rule and interest charge applicable as discussed above.

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, the tax consequences thereof and the tax consequences to such U.S. investor if the Issuer is investing in PFIC equity for U.S. Federal income tax purposes. See "Income Tax Considerations – Tax Treatment of U.S. Holders of Preference Shares."

The Issuer intends, and the Indenture requires that holders agree, to treat all Classes of Notes as debt for U.S. Federal income tax purposes. See "Income Tax Considerations."

Tax Considerations; Synthetic Securities. Under current U.S. Federal income tax law, the treatment of Synthetic Securities in the form of credit default swaps is unclear. Certain possible tax characterizations of a credit default swap, if adopted by the U.S. Internal Revenue Service and if applied to Synthetic Securities to which the Issuer is a party, could subject payments received by the Issuer under such Synthetic Securities to U.S. withholding or excise tax. It is also possible that because of such tax characterizations, the Issuer could be treated as engaging in a trade or business in the United States and therefore be subject to net income tax. The Issuer may not be entitled to a full gross-up on such taxes under the terms of the Synthetic Securities. See "Income Tax Considerations."

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

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

ERISA Considerations. The Issuer intends to restrict ownership of the Preference Shares so that no assets of the Issuer will be deemed to be "plan assets" subject to Title I of ERISA and/or Section 4975 of the Code as such term is defined in the Plan Asset Regulation issued by the United States Department of Labor. The Issuer intends to restrict the acquisition of Preference Shares by Benefit Plan Investors (which is defined in the Plan Asset Regulation to include all employee benefit plans, whether or not the plans are subject to Title I of ERISA, plans within the meaning of Section 4975 of the Code and entities whose underlying assets are deemed to include plan assets) on the Closing Date to less than 25% of the value of all Preference Shares (excluding the value of the Preference Shares held by Controlling Persons (as defined herein)). The Issuer intends to restrict transfers of the Preference Shares so

that after the Closing Date, no Preference Shares will be transferred to Benefit Plan Investors or to a Controlling Person. In particular, each owner of a Preference Share will be required to execute and deliver to the Issuer and the Preference Share Paying Agent a letter in the form attached as an exhibit to the Preference Share Paying Agency Agreement to the effect that such owner will not transfer such Preference Shares except in compliance with the transfer restrictions set forth in the Preference Share Paying Agency Agreement, in each case, including the requirement that any subsequent transferee execute and deliver such letter as a condition to any subsequent transfer and that any subsequent transferee shall not be a Benefit Plan Investor or a Controlling Person. In addition, each Original Purchaser and each transferee of an interest in a Regulation S Global Preference Share will be required to execute a letter in the form of Exhibit A hereto. However, there can be no assurance that ownership of Preference Shares by Benefit Plan Investors will always remain below the 25% threshold established under the Plan Asset Regulation. Although each such owner will be required to indemnify the Issuer for the consequences of any breach of such obligations, there is no assurance that an owner will not breach such 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 the assets of either of the Co-Issuers were deemed to be "plan assets," certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of business might constitute non-exempt prohibited transactions under ERISA and/or Section 4975 of the Code and might have to be rescinded. However, it is anticipated that such a result would be unlikely because (1) the Collateral Debt Securities acquired by the Issuer will be limited to securities as to which the assets of the issuers thereof will not be treated as "plan assets," even if the underlying assets of the Issuer are so treated, and (2) the issuers of such securities will be special-purpose entities that are not likely to be Parties In Interest or Disqualified Persons with respect to any Plans.

With respect to the purchasers of Offered Securities on the Closing Date (each, an "Original Purchaser"), (a) each Original Purchaser of Notes and each transferee of a Note will be deemed to represent and (or, if required by the Indenture, a transferee will be required to certify) either that (i) it is not (and, for so long as it holds any Note, will not be), and is not acting on behalf of (and, for so long as it holds any Note or any interest therein, will not be acting on behalf of), an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, a "plan" as described in Section 4975(e)(1) of the Code that is subject to the prohibited transaction provisions of Section 4975 of the Code, an entity that is deemed to hold the assets of any such plan pursuant to 29 C.F.R. §2510.3-101 which plan or entity is subject to Title I of ERISA or the prohibited transaction provisions of Section 4975 of the Code, or a governmental or church plan subject to any Similar Law or (ii) its acquisition and holding of such Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of a governmental or church plan, will not result in a violation of any Similar Law) and (b) each Original Purchaser of a Preference Share will be required to certify whether it is a Benefit Plan Investor or a Controlling Person. Each such Original Purchaser that is a Benefit Plan Investor subject to Title I of ERISA, Section 4975 of the Code or any Similar Law will be required to certify that its investment in Preference Shares will not result in a non-exempt prohibited transaction under the foregoing provisions of ERISA and the Code or a violation of any Similar Law. No transferee of a Preference Share after the Closing Date may be a Benefit Plan Investor or a Controlling Person.

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

Combination Securities. For additional risk factors relating to the Combination Securities, see "Description of the Combination Securities—Risk Factors."

The Issuer. The Issuer is a recently formed Cayman Islands exempted company with limited liability and has no prior operating history other than in connection with the acquisition of certain Collateral Debt Securities prior to the issuance of the Offered Securities and the engagement of the Collateral Manager and the entering into of arrangements with respect thereto. The Issuer will have no significant assets other than the Collateral Debt Securities acquired by it, Equity Securities, Eligible Investments, the Collection Accounts and its rights under the Collateral Management Agreement, each Hedge Agreement, the Cashflow Swap Agreement and certain other agreements entered into as described herein, all of which have been pledged to the Trustee to secure the Issuer's obligations to the holders of the Notes, the Collateral Manager, each Hedge Counterparty and the Cashflow Swap Counterparty. The Issuer will not engage in any business activity other than the issuance and sale of the Offered

Securities as described herein, the acquisition and disposition of, and investment in, Collateral Debt Securities, Equity Securities and Eligible Investments as described herein, the entering into, and the performance of its obligations under the Indenture, the Notes, the Class A-1S Note Purchase Agreement, the Purchase Agreement, the Investor Application Forms, the Account Control Agreement, each Noteholder Prepayment Account Control Agreement, the Preference Share Paying Agency Agreement, each Hedge Agreement, the Cashflow Swap Agreement, the collateral assignment of the Cashflow Swap Agreement, any collateral assignment of any Hedge Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Administration Agreement and the Master Forward Sale Agreement, the pledge of the Collateral as security for its obligations in respect of the Notes for the benefit of the Secured Parties, the ownership and management of the Co-Issuer, certain activities conducted in connection with the payment of amounts in respect of the Offered Securities, the management of the Collateral and other activities incidental to the foregoing. Income derived from the acquired Collateral Debt Securities and other Collateral will be the Issuer's only source of cash.

The Co-Issuer. The Co-Issuer is a newly formed Delaware corporation and has no prior operating history. The Co-Issuer does not have and will not have any substantial assets and will not pledge any assets to secure the Notes. The Co-Issuer will have no claim against the Issuer in respect of the Collateral or otherwise. 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.

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

Certain Considerations Relating to the Cayman Islands. The Issuer is an exempted company incorporated with limited liability under the laws of the Cayman Islands. As a result, it may not be possible for purchasers of the Offered Securities to effect service of process upon the Issuer within the United States or to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. The Issuer has been advised by Walkers, its legal advisor in the Cayman Islands, that the United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon United States securities laws, would, therefore, not be automatically enforceable in the Cayman Islands and there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws. The Issuer will appoint National Corporate Research, Ltd., 225 West 34th Street, Suite 910, New York, New York 10122 as its agent in New York for service of process.

Significant Fees Reduce Proceeds Available for Purchase of Collateral Debt Securities. On the Closing Date, the Co-Issuers will use a portion of the gross proceeds from the offering to pay various fees and expenses, including, without limitation, expenses, fees and commissions incurred in connection with the acquisition of the Collateral Debt Securities, structuring and placement agency fees payable to the Initial Purchaser, up-front structuring and collateral management fees and advisory fees payable to the Collateral Manager and legal, accounting, rating agency and other fees. Closing fees and expenses reduce the amount of the gross proceeds of the offering available to purchase Collateral Debt Securities and, therefore, the return to purchasers of the Offered Securities. Rating agencies will consider the amount of net proceeds available to purchase Collateral Debt Securities in determining any ratings assigned by them to the Offered Securities.

Certain Legal Investment Considerations. None of the Issuer, the Co-Issuer, the Collateral Manager or the Initial Purchaser make any representation as to the proper characterization of the Offered Securities for legal

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

DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to the Indenture. The following summary describes certain provisions of the Notes and the Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. Copies of the Indenture may be obtained by prospective investors upon request to the Trustee at 600 Travis Street, 50th Floor, JPMorgan Chase Tower, Houston, Texas 77002, Attention: Worldwide Security Services-Lenox CDO, Ltd.

Status and Security

The Notes will be limited-recourse debt obligations of the Co-Issuers. All of the Class A-1S Notes, except as described herein, are entitled to receive payments *pari passu* among themselves, all of the Class A-1J Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B-1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class C Notes are entitled to receive payments *pari passu* among themselves, all of the Class D Notes are entitled to receive payments *pari passu* among themselves, all of the Class E-1 Notes are entitled to receive payments *pari passu* among themselves and all of the Class E-2 Notes 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 as follows: *first*, Class A-1S Notes (including payment of the Commitment Fee to the Class A-1S Noteholders), *second*, Class A-1J Notes, *third*, Class A-2 Notes, *fourth*, Class B Notes, *fifth*, Class C Notes, *sixth*, Class D Notes, *seventh*, Class E Notes, with (a) each Class of Notes (other than the Class E 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-1S 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 and Commitment Fee on each Class of Notes that is Senior to such Class and that remain outstanding has been paid in full. Except as otherwise described herein, and subject to, the Priority of Payments with respect to Interest Proceeds, during a Sequential Pay Period no payment of principal of any Class of Notes will be made until all principal of, and all accrued and unpaid interest and Commitment Fee on, each Class of Notes that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Notes—Priority of Payments."

The Class B-1 Notes and the Class B-2 Notes are sub-classes of the Class B Notes. As such, the payments in respect of the Class B-1 Notes will be paid *pro rata* with the payments in respect of the Class B-2 Notes based upon, with respect to principal, the aggregate outstanding principal amount of the Class B-1 Notes and the Class B-2 Notes and, with respect to interest, the applicable Interest Distribution Amount with respect to the Class B-1 Notes and the Class B-2 Notes.

The Class E-1 Notes and the Class E-2 Notes are sub-classes of the Class E Notes. As such, the payments in respect of the Class E-1 Notes will be paid *pro rata* with the payments in respect of the Class E-2 Notes based upon, with respect to principal, the aggregate outstanding principal amount of the Class E-1 Notes and the Class E-2 Notes and, with respect to interest, the applicable Interest Distribution Amount with respect to the Class E-1 Notes and the Class E-2 Notes.

Under the terms of the Indenture, the Issuer will grant to the Trustee for the benefit of the Secured Parties a first priority security interest in the Collateral described herein to secure the Issuer's obligations under the Indenture, the Notes and the Combination Securities (to the extent of the Class B-2 Note Component and the Class E-2 Note Component), subject in the case of any Synthetic Security Counterparty Account to the security interest of the related Synthetic Security Counterparty in such Account.

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

Drawdown

Class A-1J Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Preference Shares

All of the Class A-1J Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Preference Shares will be issued on the Closing Date. The entire principal amount of the Class A-1J Notes, the Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes will be advanced on the Closing Date.

Class A-1S Notes

All of the Class A-1S Notes will be issued on the Closing Date, but none of the principal amount of the Class A-1S Notes will be advanced on the Closing Date. Pursuant to the Class A-1S Note Purchase Agreement dated as of the Closing Date among the Issuer, the Co-Issuer, the Trustee, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as distribution agent, and the Class A-1S Noteholders, and subject to compliance with the conditions set forth therein, the Co-Issuers may request (and the Class A-1S Noteholders (or the Liquidity Provider(s) with respect to such holders) will be obligated to make *pro rata* in accordance with their respective Commitments) an advance under the Class A-1S Notes in the aggregate principal amount equal to U.S.\$70,000,000 during the period (the "Commitment Period") starting on and including the Closing Date and ending on the date (the "Commitment Period Termination Date") that is the earliest of (i) April 15, 2006; (ii) the redemption of the Class A-1S Notes in full; (iii) the date of the occurrence of an Event of Default specified in clause (d) or (f) of the definition thereof; or (iv) the sale, foreclosure or other disposition of the Collateral under the Indenture. Any reference herein to "Commitments" in respect of any Class A-1S Notes held by the Class A-1S Noteholders at any time shall mean the maximum aggregate principal amount of advances (whether at the time funded or unfunded) that the holder (or the Liquidity Provider(s) with respect to such holder) of such Class A-1S Note is obligated from time to time under the Class A-1S Note Purchase Agreement to make to the Co-Issuers.

During the Commitment Period, the Co-Issuers (at the direction of the Collateral Manager) may make a single borrowing on April 14, 2006 (or on such other date as the Issuer and the Class A-1 Noteholders agree) under the Class A-1S Notes (a "Borrowing" and the date of any such Borrowing, a "Borrowing Date"), *provided* that (i) each applicable condition to Borrowing specified in the Class A-1S Note Purchase Agreement is satisfied as of the date of such Borrowing, (ii) the aggregate amount of Borrowings may not in any event exceed the aggregate amount of Commitments in respect of the Class A-1S Notes and (iii) at the time of and immediately after giving effect to such Borrowing, no Event of Default or Default has occurred and is continuing or would result from any Borrowing.

The aggregate principal amount of the Borrowing will be \$70,000,000. On or prior to the fifth Business Day immediately preceding the Borrowing Date, the Collateral Manager will cause the Co-Issuers to provide notice to each Class A-1S Noteholder (with a copy to the Trustee) of the Co-Issuers' intention to effect a Borrowing.

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

Prior to the Commitment Period Termination Date, each Class A-1S Noteholder will be required to satisfy the Rating Criteria specified in the Class A-1S Note Purchase Agreement. If any Class A-1S Noteholder (including such holder's Liquidity Provider) shall at any time prior to the Commitment Period Termination Date fail to satisfy such Rating Criteria, then such holder will (i) transfer all of its rights and obligations in respect of all Class A-1S Notes held by such holder to a person that satisfies the Rating Criteria on the date of such transfer, (ii) enter into an agreement with the Co-Issuers providing for the posting of collateral, the terms and conditions of which satisfy the Issuer and which agreement satisfies the Rating Condition or (iii) cause a Class A-1S Noteholder Prepayment Account to be established, credit to such Class A-1S Noteholder Prepayment Account Cash or Eligible Prepayment Account Investments the aggregate outstanding principal amount of which is equal to such Holder's Unfunded Commitment at such time and enter into a Noteholder Prepayment Account Control Agreement in relation to such account (the "Prepayment Option"). The "Rating Criteria" will be satisfied on any date with respect to any Class A-1S Noteholder if (a)(i) the short-term debt, deposit or similar obligations of such holder, or any affiliate of such holder that unconditionally and absolutely guarantees (with such form of guarantee satisfying Standard & Poor's

then published criteria with respect to guarantees) the obligations of such holder, are on such date rated "P-1" by Moody's (and, if rated "P-1," is not on watch for possible downgrade by Moody's) and "A-1" by Standard & Poor's or the long-term debt obligations of such holder, or any affiliate of such holder that unconditionally and absolutely guarantees (with such form of guarantee satisfying Standard & Poor's then published criteria with respect to guarantees) the obligations of such holder, are on such date rated at least "AAA" by Standard & Poor's and "Aaa" by Moody's or (ii) such holder is a Financial Institution the short-term debt deposit or similar obligations of which are on such date rated "P-1" by Moody's (and, if rated "P-1," is not on watch for possible downgrade by Moody's) and "A-1" by Standard & Poor's or (b) such holder is then entitled under a Liquidity Facility to borrow loans from, or sell Class A-1S Notes to, one or more financial institutions (each, a "Liquidity Provider") *provided* that the short-term debt, deposit or similar obligations of each such Liquidity Provider are rated "P-1" by Moody's (and, if rated "P-1," is not on watch for possible downgrade by Moody's) and at least "A-1" by Standard & Poor's. A "Liquidity Facility" is a liquidity agreement providing for the several commitments of the Liquidity Providers party thereto to make loans to, or purchase interests in Class A-1S Notes from, such holder in an aggregate principal amount at any one time outstanding equal to or greater than the Commitment of such holder. Any Class A-1S Noteholder who does not satisfy the Rating Criteria set forth in clause (a) of the definition thereof at the time of such purchase but who is then entitled to the benefit of a Liquidity Facility described in clause (b) of such definition will be subject to the requirement that each Rating Agency shall have confirmed that the acquisition by such person will not result in a downgrade or withdrawal of its then-current rating, if any, of any of the Notes. Pursuant to the Class A-1S Note Purchase Agreement, any purchaser of Class A-1S Notes that is entitled under a Liquidity Facility to borrow loans from Liquidity Providers may delegate to such Liquidity Providers, and such Liquidity Providers may severally agree to each perform their ratable share (determined in accordance with their respective commitments under the relevant Liquidity Facility) of, all of the purchaser's obligations under the Class A-1S Note Purchase Agreement in respect of the Class A-1S Notes held by such purchaser, *provided* that, notwithstanding such delegation, such holder may, in its sole discretion, continue to perform the obligations so delegated (and the Liquidity Providers shall have no right to perform such obligations if such holder performs such obligations) and, subject to the foregoing, none of the rights and obligations of parties to the Class A-1S Note Purchase Agreement under the Class A-1S Note Purchase Agreement or under the Indenture in respect of any advances made by such holder will be affected by such delegation.

Interest

The Class A-1S Notes will bear interest at a floating rate per annum not to exceed LIBOR (determined as described herein) plus 1.00% (determined as described in the Class A-1 Notes Supplement and including payment of certain other amounts described therein). The Class A-1J Notes will bear interest at a floating rate per annum not to exceed LIBOR (determined as described in the Class A-1 Notes Supplement and including payment of certain other amounts described therein) plus 1.00% (determined in the Class A-1 Notes Supplement and including payment of certain other amounts described therein). The Class A-2 Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.60%. The Class B-1 Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.75%. The Class B-2 Notes will bear interest at a fixed rate per annum equal to 5.58%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.05%. The Class D Notes will bear interest at a floating rate per annum equal to LIBOR plus 2.00%. The Class E-1 Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.50%. The Class E-2 Notes will bear interest at a fixed rate per annum equal to 8.32%. Interest on the Fixed Rate Notes and interest on Defaulted Interest in respect of the Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Floating Rate Notes and interest on Defaulted Interest in respect of the Floating Rate Notes will be computed on the basis of a 360-day year and the actual number of days elapsed in the relevant Interest Period.

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

Payments of interest on the Notes will be payable in Dollars quarterly in arrears on each February 14, May 14, August 14 and November 14, commencing May 14, 2006, and the Accelerated Maturity Date (each a "Quarterly Distribution Date"), *provided* that (a) the final Quarterly Distribution Date with respect to the Notes shall be

November 14, 2043, and (b) if any such date is not a Business Day, the relevant Quarterly Distribution Date will be the next succeeding Business Day. The "Due Period" relating to any Quarterly Distribution Date shall be the Due Period that precedes such Quarterly Distribution Date. Notwithstanding the foregoing, the Issuer will enter into the Basis Swap in order to finance the periodic payment of interest on the Class A-1 Notes on dates other than on each Quarterly Distribution Date, as described in one or more supplements to this Offering Circular relating to the Class A-1 Notes (collectively, the "Class A-1 Notes Supplement" and, individually, the "Class A-1J Notes Supplement" and the "Class A-1S Notes Supplement").

So long as any Class A Notes, Class B Notes or Class C Notes are outstanding, the failure on any Quarterly Distribution Date to make payment in respect of interest on the Class D Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class D Notes that is not paid when due by operation of the Priority of Payments will be deferred and capitalized (such interest being referred to herein as "Class D Deferred Interest Amount"); *provided* that no accrued interest on the Class D Notes shall become Class D Deferred Interest Amount unless a more Senior Class of Notes is then outstanding.

So long as any Class A Notes, Class B Notes, Class C Notes or Class D Notes are outstanding, the failure on any Quarterly Distribution Date to make payment in respect of interest on the Class E-1 Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class E-1 Notes that is not paid when due by operation of the Priority of Payments will be deferred and capitalized (such interest being referred to herein as "Class E-1 Deferred Interest Amount"); *provided* that no accrued interest on the Class E-1 Notes shall become Class E-1 Deferred Interest Amount unless a more Senior Class of Notes is then outstanding.

So long as any Class A Notes, Class B Notes, Class C Notes or Class D Notes are outstanding, the failure on any Quarterly Distribution Date to make payment in respect of interest on the Class E-2 Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class E-2 Notes that is not paid when due by operation of the Priority of Payments will be deferred and capitalized (such interest being referred to herein as "Class E-2 Deferred Interest Amount"); *provided* that no accrued interest on the Class E-2 Notes shall become Class E-2 Deferred Interest Amount unless a more Senior Class of Notes is then outstanding.

Any Class D Deferred Interest Amount or Class E Deferred Interest Amount will be added to the aggregate outstanding principal amount of the Class D Notes, Class E Notes, and thereafter interest will accrue on the aggregate outstanding principal amount of such Class of Notes, as so increased. Unless otherwise specified herein, any reference to the principal amount of a Class D Note or a Class E Note includes any Class D Deferred Interest Amount or Class E Deferred Interest Amount, as the case may be, added thereto. Upon the payment of Class D Deferred Interest Amount or Class E Deferred Interest Amount previously capitalized as additional principal, the aggregate outstanding principal amount of the Class D Notes or Class E Notes, as the case may be, will be reduced by the amount of such payment. The Class E-1 Deferred Interest Amount and the Class E-2 Deferred Interest Amount are referred to collectively herein as the "Class E Deferred Interest Amount".

Interest will cease to accrue on each Note or, in the case of a partial repayment, on the amount of such partial repayment, from the date of repayment or Stated Maturity unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments. To the extent lawful and enforceable, interest on any Defaulted Interest on any Note will accrue at the interest rate applicable to such Note until paid. "Defaulted Interest" means any interest due and payable in respect of any Note or (when used with respect to the Class A-1S Notes and the calculation of the Commitment Fee Amount) Commitment Fee which is not punctually paid or duly provided for on the applicable Quarterly Distribution Date or at Stated Maturity and which remains unpaid. Neither Class D Deferred Interest Amount nor Class E Deferred Interest Amount will constitute Defaulted Interest.

Definitions

"Interest Period" means (i) in the case of the initial Interest Period, the period from, and including, the Closing Date (or, in the case of a Class A-1S Note, the Borrowing Date of the relevant Borrowing) to, but excluding, the first Quarterly Distribution Date, and (ii) thereafter, the period from, and including, the Quarterly Distribution Date (or, in the case of a Class A-1S Note, the Borrowing Date of the relevant Borrowing if it occurs after the first Quarterly

Distribution Date) immediately following the last day of the immediately preceding Interest Period to, but excluding, the next succeeding Quarterly Distribution Date; *provided* that if the nominal Quarterly Distribution Date is not a Business Day and the Quarterly Distribution Date has been deemed to be the next succeeding Business Day, (a) with respect to any Fixed Rate Notes, no interest shall accrue from the period beginning on the nominal Quarterly Distribution Date, as applicable, and ending on the deemed Quarterly Distribution Date and (b) with respect to the Floating Rate Notes, interest shall accrue for the period beginning on the nominal Quarterly Distribution Date and ending on the deemed Quarterly Distribution Date.

With respect to each Interest Period, "LIBOR" for purposes of calculating the interest rate for each Class of Notes for such Interest Period will be determined by the Trustee, as calculation agent (the "Calculation Agent") in accordance with the following provisions (*provided* that LIBOR for the initial Interest Period for the Floating Rate Notes shall be 4.59658%):

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

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

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

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

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

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

(ii) above, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one thirty-second of a percentage point.

As used herein:

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

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

"Designated Maturity" means, (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 Stated Maturity), three months and (iii) for the Interest Period ending on the Stated Maturity, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Quarterly Distribution Date.

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

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

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

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

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

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 Dollar deposits in the international Eurodollar market and which does not control and is not controlled by or under common control with either of the Co-Issuers or any affiliate thereof. The Calculation Agent may not resign its duties without a successor having been duly appointed. The determination of the interest rate for the Notes for each Interest Period by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

Commitment Fee on Class A-1S Notes

A commitment fee ("Commitment Fee") will accrue on the unfunded Commitments for each day from and including the Closing Date to but excluding the Commitment Period Termination Date, at a rate per annum equal to

0.05%. Commitment Fee will be payable to the Class A-1S Noteholders quarterly in arrears on each Quarterly Distribution Date and will rank pari passu with the payment of interest on the Class A-1S Notes. Commitment Fee will be computed on the basis of a 360-day year and the actual number of days elapsed. No Class of Notes other than the Class A-1S Notes will be entitled to a commitment fee.

Principal

The Stated Maturity of the Notes is the Quarterly Distribution Date in November 2043. Each Class of Notes is scheduled to mature at the applicable Stated Maturity unless redeemed or repaid prior thereto. However, the Notes may be paid in full prior to their Stated Maturity. See "Risk Factors—Average Lives, Duration and Prepayment Considerations" 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 on each Quarterly Distribution Date among the Notes of such Class according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment.

On any Quarterly Distribution Date which does not occur during a Sequential Pay Period (a "Pro Rata Pay Period"), Principal Proceeds will be applied in accordance with the Priority of Payments, to pay (i) *first*, pro rata, the principal amount of the Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B Notes and Class C Notes in an aggregate amount up to the Class A/B/C Pro Rata Principal Payment Cap, (ii) *second*, the principal amount of the Class D Notes (including any Class D Deferred Interest Amount) in an amount up to the Class D Pro Rata Principal Payment Cap, and (iii) *third*, the principal amount of the Class E Notes. However, Interest Proceeds and Principal Proceeds will be applied to cure a breach of a Coverage Test and following a Rating Confirmation Failure in the priority described in the second succeeding paragraph.

A Sequential Pay Period will commence on the earliest to occur of (a) the first date on which the aggregate Principal Balance of all Pledged Collateral Debt Securities held by the Issuer is less than 50% of the Net Outstanding Portfolio Collateral Balance as of the Ramp-Up Completion Date, (b) any Determination Date on which the Class A/B/C Overcollateralization Test is not satisfied and Principal Proceeds are applied on the related Quarterly Distribution Date pursuant to clause (2) of the Principal Proceeds Waterfall to cure (in part or in whole) the breach of the Class A/B/C Overcollateralization Test, (c) any Determination Date on which an Event of Default which has occurred and is continuing and (d) any Determination Date on which the Class A/B/C Sequential Pay Test is not satisfied; *provided* that if a Sequential Pay Period has commenced pursuant to clause (c), such Sequential Pay Period will end on the date the Event of Default has been cured (unless the Notes have been declared due and payable). For the avoidance of doubt, if on a Determination Date the Issuer fails to satisfy a Class A/B/C Overcollateralization Test and such Class A/B/C Overcollateralization Test is satisfied through the application of Interest Proceeds on the related Quarterly Distribution Date, the Principal Proceeds on such Quarterly Distribution Date shall be distributed as if it is a Pro Rata Pay Period. If a Sequential Pay Period commences due to an event described in clause (a), (b) or (d), a Pro Rata Pay Period will not occur thereafter.

If a Class A/B/C Coverage Test is not satisfied on any Determination Date on or after the Ramp-Up Completion Date, Interest Proceeds (and, if necessary to cure such breach, Principal Proceeds), will be applied on the related Quarterly Distribution Date in accordance with the Priority of Payments to cure the breach of such Coverage Test by paying principal of the Class A-1S Notes, then the Class A-1J Notes, then the Class A-2 Notes, then the Class B-1 Notes and Class B-2 Notes, *pro rata*, and then the Class C Notes, in direct order of seniority. In the case of the breach of a Class D Coverage Test, Interest Proceeds will be applied to pay principal of *first*, any Class D Deferred Interest Amount, *second*, principal of the Class D Notes, *third*, principal of the Class C Notes, *fourth*, principal of the Class B-2 Notes and Class B-1 Notes, *pro rata*, *fifth*, principal of the Class A-2 Notes, *sixth*, principal of the Class A-1J Notes and *seventh*, principal of the Class A-1S Notes and, if necessary to cure such breach, Principal Proceeds will be applied to pay principal of the Class A-1S Notes, then the Class A-1J Notes, then the Class A-2 Notes, then the Class B-1 Notes and the Class B-2 Notes, *pro rata*, then the Class C Notes, and then the Class D Notes, in direct order of seniority. In the case of the breach of a Class E Coverage Test, Interest Proceeds will be applied to pay principal of *first*, any Class E-1 Deferred Interest Amount and Class E-2 Deferred Interest Amount, *pro rata*, *second*, principal of the Class E-1 Notes and the Class E-2 Notes, *pro rata*, *third*, any Class D Deferred Interest Amount, *fourth*, principal of the Class D Notes, *fifth*, principal of the Class C Notes, *sixth*, principal of the

Class B-1 Notes and the Class B-2 Notes, *pro rata*, *seventh*, principal of the Class A-2 Notes, *eighth*, principal of the Class A-1J Notes and *ninth*, principal of the Class A-1S Notes and, if necessary to cure such breach, Principal Proceeds will be applied to pay principal of the Notes in direct order of Seniority.

During the Substitution Period, Specified Principal Proceeds will be applied to pay principal of the Notes in accordance with the Priority of Payments. After the last day of the Substitution Period, all Principal Proceeds will be applied on each Quarterly Distribution Date in accordance with the Priority of Payments. In addition, Interest Proceeds will be applied to pay principal of the Notes in the following circumstances (subject, in each case, to the Priority of Payments): (a) upon the failure of the Issuer to meet a Coverage Test, (b) in the event of a Rating Confirmation Failure and (c) for the payment of the Class D Deferred Interest Amount or Class E Deferred Interest Amount.

Substitution Period

During the Substitution Period, the Issuer may reinvest the Sale Proceeds (other than accrued interest treated as Interest Proceeds included therein) of any Pledged Collateral Debt Security that is not a Defaulted Security, Deferred Interest PIK Bond or Equity Security, provided that the applicable requirements under "Security for the Notes—Dispositions of the Collateral Debt Securities" are satisfied.

Mandatory Redemption

The Notes shall, on any Quarterly Distribution Date, be subject to mandatory redemption if a Coverage Test applies and is not satisfied on the related Determination Date. Any such redemption will be effected from Interest Proceeds and, if Interest Proceeds are insufficient, Principal Proceeds to the extent necessary to cause each Coverage Test to be satisfied. Any such redemption will be applied to each outstanding Class of Notes as described below under "—Priority of Payments." Mandatory redemptions of the Class A-1 Notes shall be made on the dates and in the amounts set forth in the Class A-1 Notes Supplement.

The Issuer will notify the Trustee, each Rating Agency, each Hedge Counterparty and the Cashflow Swap Counterparty in writing within nine Business Days after the Ramp-Up Completion Date (such notification, a "Ramp-Up Notice"). In the Ramp-Up Notice, the Issuer will request that each Rating Agency confirm to the Issuer that it has not reduced or withdrawn the rating (including private or confidential ratings, if any) assigned by it on the Closing Date to any of the Notes or placed any Note on a watch list for possible downgrade (a "Rating Confirmation"). If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency by the later of (x) 30 Business Days following the delivery of the Ramp-Up Notice or (y) the first Determination Date following the Ramp-Up Completion Date (a "Rating Confirmation Failure"), then on the first Quarterly Distribution Date following the Ramp-Up Completion Date, the Issuer will be required to apply Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient, 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 *first*, the Class A-1S Notes, *second*, the Class A-1J Notes, *third*, the Class A-2 Notes, *fourth*, the Class B-1 Notes and the Class B-2 Notes, *pro rata*, *fifth*, the Class C Notes, *sixth*, the Class D Notes, including any Class D Deferred Interest Amount and *seventh*, the Class E-1 Notes and the Class E-2 Notes, *pro rata*, including any Class E-1 Deferred Interest Amount and Class E-2 Deferred Interest Amount to the extent necessary to obtain a Rating Confirmation from each Rating Agency.

Auction Call Redemption

In accordance with the procedures set forth in the Indenture (the "Auction Procedures"), the Trustee shall, at the expense of the Issuer, conduct an auction (an "Auction") of the Pledged Collateral Debt Securities included in the Collateral if, prior to the Quarterly Distribution Date occurring in May 2014, the Notes have not been redeemed in full. The Auction shall be conducted not later than ten Business Days prior to (1) the Quarterly Distribution Date occurring in May 2014 and (2) if the Notes are not redeemed in full on the prior Quarterly Distribution Date, each Quarterly Distribution Date thereafter until the Notes have been redeemed in full (each such date, an "Auction Date"). Any of the Preference Shareholders, the Collateral Manager, the Trustee or their respective affiliates may, but shall not be required to, bid at the Auction. The Trustee shall sell and transfer all of the Pledged Collateral Debt Securities included in the Collateral (which may be divided into up to eight subpools or such larger number of

subpools as the Collateral Manager shall determine) to the highest bidder therefor (or the highest bidder for each subpool) at the Auction *provided that*:

- (i) the Auction has been conducted in accordance with the Auction Procedures;
- (ii) with respect to Collateral Debt Securities other than Defeased Synthetic Securities:
 - (A) the Trustee has received bids for such Collateral Debt Securities from at least two qualified bidders identified by the Trustee in consultation with 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 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 (i) through (iv) of this section are satisfied, which execution shall constitute certification by the Issuer that such conditions have been satisfied) that obligates the highest bidder (or the highest bidder for each subpool) to purchase all of such Collateral Debt Securities (or the relevant subpool) with the closing of such purchase (and full payment in Cash to the Trustee) to occur on or prior to the sixth Business Day prior to the relevant Quarterly Distribution Date;
- (iii) with respect to each Defeased Synthetic Security, the Trustee will request that the Synthetic Security Counterparty under such Synthetic Security determine in accordance with the procedure set forth in the Synthetic Security the net termination payment payable by or to the Issuer by the date six Business days prior to the termination date of the relevant Synthetic Security and the Trustee shall determine 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 payment; and
- (iv) the Collateral Manager has determined that (I) 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 Defeased Synthetic Securities pursuant to clause (ii) above plus (II) the aggregate net termination payments that would be payable to the Issuer by Synthetic Security Counterparties as determined pursuant to clause (iii) above minus (III) the aggregate net termination payments that would be payable under each Defeased Synthetic Security by the Issuer to the Synthetic Security Counterparty as determined pursuant to clause (iii) above plus (IV) the balance of all Eligible Investments and Cash in the Accounts (other than in any Hedge Counterparty Collateral Account, the Cashflow Swap Agreement Collateral Account, any Synthetic Security Issuer Account, any Synthetic Security Counterparty Account and any Class A-1S Noteholder Prepayment Account) plus (V) the aggregate amount (if any) that will be released from the Synthetic Security Counterparty Account following payment of the net termination payments described in the foregoing clauses (II) and (III), would be at least equal to the Total Senior Redemption Amount.

Provided that all of the conditions set forth in clauses (i), (ii), (iii) and (iv) above have been met, (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 the transactions under each Synthetic Security, in each case, in accordance with and upon completion of the Auction Procedures. The Trustee shall deposit the net proceeds from the sale of, and net termination payments received in respect of the Collateral Debt Securities, together with any Synthetic Security Collateral released from the Synthetic Security Counterparty Account, in the Collection Accounts (and pay net termination payments 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 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 in an amount equal to any portion of such purchase price remaining after the application contemplated by the foregoing clauses (x) and (y) (but at least equal to the Preference Share Redemption Date Amount), in each case on the Quarterly Distribution Date immediately following the relevant Auction Date (such redemption, the "Auction Call Redemption").

If (x) any of the foregoing conditions is not met with respect to any Auction, (y) if 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 fails to pay any net termination payment owing to the Issuer under any Synthetic Security, in each case on or before the sixth Business Day prior to the relevant Quarterly Distribution Date, (a) the Auction Call Redemption shall not occur on the Quarterly Distribution Date following the relevant Auction Date, (b) the Trustee shall give notice of the withdrawal of the redemption notice to the Issuer, the Collateral Manager, each Hedge Counterparty, the Cashflow Swap Counterparty, the Class A-1 Agent and the holders of the Notes, (c) subject to clause (e) below, the Trustee shall decline to consummate such sale and shall not solicit any further bids or otherwise negotiate any further sale of Collateral Debt Securities in relation to such Auction, (d) the Issuer shall not terminate any Synthetic Securities in relation to such Auction and (e) unless the Notes are redeemed in full prior to the next succeeding Auction Date, the Trustee shall conduct another Auction on the next succeeding Auction Date. The Issuer shall not terminate a Hedge Agreement until the Issuer has received such purchase price.

Optional Redemption and Tax Redemption

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

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

Any such redemption may only be effected from (a) sale proceeds of the Collateral and (b) all other funds in the Interest Collection Account, the Principal Collection Account, the Uninvested Proceeds Account, the Interest Reserve Account, the Expense Account, the Synthetic Security Counterparty Accounts (after paying from such accounts all termination payments payable by the Issuer upon termination of all Defeased Synthetic Securities), the Semi-Annual Interest Reserve Account and the Payment Account on such Quarterly Distribution Date at the applicable Redemption Price.

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

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

Redemption Procedures

Notice of redemption will be given by first-class mail, postage prepaid, mailed not less than 5 Business Days prior to the date scheduled for redemption (with respect to such Optional Redemption, Auction Call Redemption or Tax Redemption, the "Redemption Date"), to each holder of Notes at such holder's address in the register maintained by the registrar under the Indenture, each Hedge Counterparty, the Cashflow Swap Counterparty, the Class A-1 Agent with a copy to each Rating Agency. In addition, the Trustee will, if and for so long as any Class of Notes to be redeemed is listed on the Irish Stock Exchange, (i) cause notice of such Auction Call Redemption, Optional Redemption or Tax Redemption to be delivered to the Company Announcements Office of the Irish Stock Exchange

not less than 10 Business Days prior to the Redemption Date and (ii) promptly notify the Irish Stock Exchange of such Auction Call Redemption, Optional Redemption or Tax Redemption. Notes must be surrendered at the offices of any Paying Agent under the Indenture in order to receive the applicable Redemption Price, unless the holder provides (i) an undertaking to surrender such Note thereafter and (ii) in the case of a holder that is not a Qualified Institutional Buyer, such security or indemnity as may be required by the 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, the holders of the Notes of the Controlling Class, each Hedge Counterparty and the Cashflow Swap Counterparty evidence, in form satisfactory to the Trustee, that the Issuer has entered into a binding agreement or agreements with an entity or 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 a credit rating) from each Rating Agency at least equal to the rating of the highest rated Notes then outstanding or whose short-term unsecured debt obligations have a credit rating (or are guaranteed by an entity with a credit rating) of "P-1" by Moody's (and, if rated "P-1," are not on watch for possible downgrade by Moody's) and, "A-1" by Standard & Poor's (or otherwise satisfy the Rating Condition with respect to the Rating Agency whose rating is not satisfied) 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 that, when added to all Cash and Eligible Investments maturing on or prior to the scheduled Redemption Date credited to the Interest Collection Account, the Principal Collection Account, the Uninvested Proceeds Account, the Interest Reserve Account, the Expense Account, the Synthetic Security Counterparty Accounts (after paying from such accounts all termination payments payable by the Issuer upon termination of all Defeased Synthetic Securities), the Semi-Annual Interest Reserve Account and the Payment Account on the relevant Quarterly Distribution Date, will equal or exceed the Total Senior Redemption Amount, except in the case of a Tax Redemption where an Affected Class of Notes elects to receive less than 100% of the portion of the Total Senior Redemption Amount that would otherwise be payable to holders of such Affected Class (and the Total Senior Redemption Amount will be reduced accordingly).

Any such notice of redemption must be withdrawn by the Issuer on or prior to the sixth Business Day prior to the scheduled Redemption Date by written notice to the Trustee, the Collateral Manager, each Hedge Counterparty, the Cashflow Swap Counterparty, the Class A-1 Agent and the holders of the Notes of the Controlling Class if on or prior to such date (i) the Issuer has not delivered to the Trustee a certification that in its judgment based on calculations included in such certification, (1) the sale proceeds from the sale of one or more of the Collateral Debt Securities and all Cash and proceeds from Eligible Investments will be sufficient to pay the Total Senior Redemption Amount, (2) an approved pricing service has confirmed each sales price contained in such certification (if such price is quoted on an approved pricing service) and (3) the sale prices of such Collateral Debt Securities are not below the fair market value of such Collateral Debt Securities or (ii) the independent accountants appointed by the Issuer have not confirmed in writing the calculations made in such certification. During the period when a notice of redemption may be withdrawn, the Issuer shall not terminate any Hedge Agreement or the Cashflow Swap Agreement and if any Hedge Agreement or Cashflow Swap Agreement shall become subject to early termination during such period, the Issuer shall enter into a replacement Hedge Agreement for the terminated Hedge Agreement or a replacement Cashflow Swap Agreement for the terminated Cashflow Swap Agreement, in each case in accordance with the Indenture. Notice of any such withdrawal shall be given by the Trustee to each holder of Notes at such holder's address in the Note Register maintained by the Note Registrar under the Indenture, the Class A-1 Agent and each Hedge Counterparty and the Cashflow Swap Counterparty by overnight courier guaranteeing next day delivery, sent not later than the sixth Business Day prior to the scheduled Redemption Date; *provided* that in the case of a Tax Redemption where an Affected Class of Notes elects to receive less than 100% of the portion of the Total Senior Redemption Amount that would otherwise be payable to holders of such Affected Class, the Redemption Price as to such Affected Class is the amount agreed upon by such Affected Class. The redemption of the Class A-1 Notes shall occur on the date and at the Redemption Price set forth in the Class A-1 Notes Supplement.

Redemption Price

The amount payable in connection with any Optional Redemption, Auction Call Redemption or Tax Redemption of any Note (with respect to each Class of Notes, the "Redemption Price") will be an amount (determined without duplication) equal to (i) the outstanding principal amount of such Note (including any Class D

Deferred Interest Amount or Class E Deferred Interest Amount) being redeemed plus (ii) accrued interest thereon (including Defaulted Interest and accrued, unpaid and uncapitalized interest on Defaulted Interest, if any) plus (iii) in the case of any reduction in the related Commitment in respect of any Class A-1S Note, an amount equal to accrued Commitment Fee on the amount of such reduction; *provided* that in the case of a Tax Redemption where an Affected Class of Notes elects to receive less than 100% of the portion of the Total Senior Redemption Amount that would otherwise be payable to holders of such Affected Class, the Redemption Price as to such Affected Class is the amount agreed upon by such Affected Class (and the Total Senior Redemption Amount will be reduced accordingly).

Cancellation

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

Payments

Payments in respect of principal of, interest or Commitment Fee 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. Final payments in respect of principal of the Notes will be made against surrender of such Notes at the office of the Paying Agent.

If any payment on the Notes is due on a day that is not a Business Day, then payment will be made on the next succeeding Business Day. For this purpose, "Business Day" means a day on which commercial banks and (if applicable) foreign exchange markets settle payments in each of New York, New York and any other city in which the corporate trust office of the Trustee is located and, in the case of the final payment of principal of any Note, the place of presentation of such Note.

For so long as the Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, the Co-Issuers will maintain an Irish Listing Agent and an Irish Paying Agent with an office in Ireland.

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

Priority of Payments

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

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

- (1) to the payment of taxes and filing and registration fees owed by the Co-Issuers, if any;
- (2) (a) *first*, to the payment to the Trustee and the Collateral Administrator for accrued and unpaid fees and expenses for services provided under the Indenture and the Collateral Administration Agreement in an amount not to exceed 0.02% per annum of the Net Outstanding Portfolio Collateral Balance on the first day of such Due Period, (b) *second*, to the payment to the Administrator of its fee, (c) *third*, to the payment to the Rating Agencies of accrued and unpaid fees of the Rating Agencies (including any surveillance fees), (d) *fourth*, to the payment of other accrued and unpaid regularly occurring fees constituting administrative expenses and not paid pursuant to items (a) and (b) above, (e) *fifth*, in the following order, to the Trustee, the Collateral Administrator, the Preference Share Paying Agent, the Paying Agents, the Note Registrar, the Combination Security Registrar, the Rating Agencies, the Administrator, the Collateral Manager and any other person in respect of other accrued and unpaid administrative expenses (including amounts payable pursuant to any indemnity) owing to them under the Indenture, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement, the Administration Agreement and the Collateral Management Agreement as applicable; *provided* that all payments made pursuant to subclauses (b), (c), (d) and (e) of this clause (2) do not exceed on such Quarterly Distribution Date U.S.\$100,000 for such Due Period (or \$150,000 for the first Due Period); and (f) *sixth*, if the balance of all Eligible Investments and Cash in the Expense Account on the related Determination Date is less than U.S.\$100,000, for deposit into the Expense Account an amount equal to the lesser of (x) the amount by which U.S.\$100,000 (or \$150,000 for the first Due Period) exceeds the aggregate amount of payments made under subclauses (b), (c), (d) and (e) of this clause (2) on such Quarterly Distribution Date and (y) such amount as would have caused the balance of all Eligible Investments and Cash in the Expense Account immediately after such deposit to equal U.S.\$100,000;
- (3) to the payment to the Collateral Manager of accrued and unpaid Senior Management Fee together with interest on any Senior Management Fee not paid on any prior Quarterly Distribution Date;
- (4) to the payment of (a) all amounts scheduled to be paid to each Hedge Counterparty pursuant to each Hedge Agreement, together with any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to each Hedge Agreement other than by reason of an "event of default" or "termination event" (other than an "illegality" or "tax event") as to which the relevant Hedge Counterparty is the sole "defaulting party" or the sole "affected party" (as each such term is defined in the relevant Hedge Agreement) and (b) to the payment of any scheduled fees or other scheduled payments to be paid to the Cashflow Swap Counterparty pursuant to the Cashflow Swap Agreement other than amounts payable under clause (6) below, together with any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to the Cashflow Swap Agreement other than by reason of an "event of default" or "termination event" (other than an "illegality" or "tax event") as to which the Cashflow Swap Counterparty is the sole "defaulting party" or the sole "affected party" (as each term is defined in the Cashflow Swap Agreement), *pro rata*;
- (5) to the payment of the Interest Distribution Amount (and with respect to the Class A-1S Notes, the Commitment Fee Amount) with respect to *first*, the Class A-1S Notes, *second*, the Class A-1J Notes, *third*, the Class A-2 Notes, *fourth*, the Class B-1 Notes and the Class B-2 Notes (on a *pro rata* basis based on the interest accrued on each of the Class B Notes during the Interest Period ending immediately prior to such Quarterly Distribution Date) and *fifth*, the Class C Notes;
- (6) to the payment to the Cashflow Swap Counterparty of *first*, the Class A-1S Reimbursement Amount, *second*, the Class A-1J Reimbursement Amount, *third*, the Class A-2 Reimbursement Amount, *fourth*, the Class B-1 Reimbursement Amount and the Class B-2 Reimbursement Amount *pro rata* and *fifth*, the Class C Reimbursement Amount;
- (7) (a) for each Quarterly Distribution Date in respect of which the related Determination Date occurs on or after the Ramp-Up Completion Date, if either Class A/B/C Coverage Test is not satisfied on the related Determination Date and if any Class A Notes, Class B Notes or Class C Notes remain outstanding, to the payment of principal of, *first*, the Class A-1S Notes, *second*, the Class A-1J Notes, *third*, the Class A-2 Notes, *fourth*, the Class B-1 Notes and the Class B-2 Notes (on a *pro rata* basis based on the aggregate principal amount of each of the Class B Notes as of the related Determination Date) and *fifth*, the Class C Notes, until each of the Class A/B/C Coverage Tests is satisfied or each such Class is paid in full, and (b) on the first

Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds, to the payment of principal of *first*, the Class A-1S Notes, *second*, the Class A-1J Notes, *third*, the Class A-2 Notes, *fourth*, the Class B-1 Notes and the Class B-2 Notes (on a *pro rata* basis based on the aggregate principal amount of each of the Class B Notes as of the related Determination Date) and *fifth*, the Class C Notes, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation;

- (8) to the payment of the Interest Distribution Amount with respect to the Class D Notes;
- (9) (a) for each Quarterly Distribution Date in respect of which the related Determination Date occurs on or after the Ramp-Up Completion Date, if either Class D Coverage Test is not satisfied on the related Determination Date and if any Class A Notes, Class B Notes, Class C Notes or Class D Notes remain outstanding, to the payment of *first*, any Class D Deferred Interest Amount, *second*, principal of the Class D Notes, *third*, principal of the Class C Notes, *fourth*, principal of the Class B-2 Notes and Class B-1 Notes (on a *pro rata* basis based on the aggregate principal amount of each of the Class B Notes as of the related Determination Date), *fifth*, principal of the Class A-2 Notes, *sixth*, principal of the Class A-1J Notes, and *seventh*, principal of the Class A-1S Notes, until each of the Class D Coverage Tests is satisfied or the Notes are paid in full, and (b) on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds, to the payment of *first*, any Class D Deferred Interest Amount, and *second*, of principal of the Class D Notes, to the extent necessary in order to obtain a Rating Confirmation;
- (10) to the payment of the Interest Distribution Amount with respect to the Class E-1 Notes and the Class E-2 Notes (on a *pro rata* basis based on the interest accrued on each of the Class E Notes during the Interest Period ending immediately prior to such Quarterly Distribution Date);
- (11) (a) for each Quarterly Distribution Date in respect of which the related Determination Date occurs on or after the Ramp-Up Completion Date, if either Class E Coverage Test is not satisfied on the related Determination Date and if any Notes remain outstanding, to the payment of *first*, any Class E-1 Deferred Interest Amount and Class E-2 Deferred Interest Amount (on a *pro rata* basis based on the aggregate principal amount of each of the Class E Notes as of the related Determination Date), *second*, principal of the Class E-1 Notes and the Class E-2 Notes (on a *pro rata* basis based on the aggregate principal amount of each of the Class E Notes as of the related Determination Date), *third*, any Class D Deferred Interest Amount, *fourth*, principal of the Class D Notes, *fifth*, principal of the Class C Notes, *sixth*, principal of the Class B-1 Notes and the Class B-2 Notes (on a *pro rata* basis based on the aggregate principal amount of each of the Class B Notes as of the related Determination Date), *seventh*, principal of the Class A-2 Notes, *eighth*, principal of the Class A-1J Notes, and *ninth*, principal of the Class A-1S Notes, until each of the Class E Coverage Tests is satisfied or the Notes are paid in full and (b) on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds, to the payment of *first*, any Class E Deferred Interest Amount, and *second*, of principal of the Class E Notes, *pro rata*, to the extent necessary in order to obtain a Rating Confirmation;
- (12) to the payment of any Class D Deferred Interest Amount (in reduction of the principal amount of the Class D Notes);
- (13) to the payment of any Class E-1 Deferred Interest Amount (in reduction of the principal amount of the Class E-1 Notes) and of any Class E-2 Deferred Interest Amount (in reduction of the principal amount of the Class E-2 Notes) (on a *pro rata* basis based on the aggregate principal amount of each of the Class E Notes as of the related Determination Date);
- (14) to the payment of all other accrued and unpaid administrative expenses of the Co-Issuers not paid pursuant to subclauses (2)(b) through (2)(e) above (whether as the result of the limitations on amounts set forth therein or otherwise) in the same order of priority specified in subclauses (2)(b) through (2)(e) above;
- (15) (a) *first*, to the payment to the Collateral Manager of accrued and unpaid Subordinate Management Fee and (b) *second*, (x) to the payment to each Hedge Counterparty, *pro rata*, of all amounts payable by the Issuer pursuant

to each Hedge Agreement in connection with a Subordinated Hedge Termination Event and (y) to the payment to the Cashflow Swap Counterparty of all amounts payable by the Issuer pursuant to the Cashflow Swap Agreement in connection with a Subordinated Cashflow Swap Termination Event, *pro rata*;

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

(17) to the Preference Share Paying Agent for distribution to the Preference Shareholders as a dividend on the Preference Shares or as a payment on redemption or repurchase of the Preference Shares, in each case, as provided in the Issuer Charter.

Principal Proceeds. On each Quarterly Distribution Date, Principal Proceeds with respect to the related Due Period will be distributed in the order of priority set forth below (the "Principal Proceeds Waterfall"):

- (1) to the payment of the amounts referred to in clauses (1) to (6) under "Priority of Payments—Interest Proceeds" above, in the same order of priority specified therein, but only to the extent not paid in full thereunder;
- (2) after giving effect to any application of Uninvested Proceeds and Interest Proceeds, (a) if either Class A/B/C Coverage Test is not satisfied on the related Determination Date and if any Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B-1 Notes, Class B-2 Notes or Class C Notes remain Outstanding, to the payment of principal of, *first*, the Class A-1S Notes, *second*, the Class A-1J Notes, *third*, the Class A-2 Notes, *fourth*, the Class B-1 Notes and the Class B-2 Notes (on a *pro rata* basis based on the aggregate principal amount of each of the Class B Notes as of the related Determination Date) and *fifth*, the Class C Notes, until each Class A/B/C Coverage Test is satisfied or each such Class is paid in full; and (b) on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, to the payment of principal of *first*, the Class A-1S Notes, *second*, the Class A-1J Notes, *third*, the Class A-2 Notes, *fourth*, the Class B-1 Notes and the Class B-2 Notes (on a *pro rata* basis based on the aggregate principal amount of each of the Class B Notes as of the related Determination Date) and *fifth*, the Class C Notes, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation;
- (3) after giving effect to any application of Uninvested Proceeds, Interest Proceeds, and Principal Proceeds pursuant to clauses (1) and (2), if either Class D Coverage Test is not satisfied on the related Determination Date and if any Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B-1 Notes, Class B-2 Notes or Class C Notes remain Outstanding, to the payment of principal of, *first*, the Class A-1S Notes, *second*, the Class A-1J Notes, *third*, the Class A-2 Notes, *fourth*, the Class B-1 Notes and the Class B-2 Notes (on a *pro rata* basis based on the aggregate principal amount of each of the Class B Notes as of the related Determination Date) and *fifth*, the Class C Notes, until each Class D Coverage Test is satisfied;
- (4) after giving effect to any application of Uninvested Proceeds, Interest Proceeds, and Principal Proceeds pursuant to clauses (1) through (3), if either Class E Coverage Test is not satisfied on the related Determination Date and if any Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B-1 Notes, Class B-2 Notes or Class C Notes remain Outstanding, to the payment of principal of, *first*, the Class A-1S Notes, *second*, the Class A-1J Notes, *third*, the Class A-2 Notes, *fourth*, the Class B-1 Notes and the Class B-2 Notes (on a *pro rata* basis based on the aggregate principal amount of each of the Class B Notes as of the related Determination Date) and *fifth*, the Class C Notes, until each Class E Coverage Test is satisfied;
- (5) for each Quarterly Distribution Date which occurs during a Sequential Pay Period, to the payment of principal of, *first*, the Class A-1S Notes until the Class A-1S Notes have been paid in full, *second*, the Class A-1J Notes until the Class A-1J Notes have been paid in full, *third*, the Class A-2 Notes until the Class A-2 Notes have been paid in full, *fourth*, the Class B-1 Notes and the Class B-2 Notes (on a *pro rata* basis based on the aggregate principal amount of each of the Class B Notes as of the related Determination Date), until the Class B-1 Notes and the Class B-2 have been paid in full and *fifth*, the Class C Notes, until the Class C Notes have been paid in full; *provided that*, if the related Determination Date occurs during the Substitution Period (including any Quarterly Distribution Date which occurs on the last day of the Substitution Period), the amounts applied for payment under this clause (5) (together with amounts applied pursuant to clauses (1), (2), (3) and (4), as applicable) shall not exceed an amount equal to the Specified Principal Proceeds with respect to the related Due Period;

- (6) for each Quarterly Distribution Date which occurs during a Pro Rata Pay Period, to the payment of principal of the Class A-1S Notes, the Class A-1J Notes, the Class A-2 Notes, the Class B-1 Notes, the Class B-2 Notes and the Class C Notes, *pro rata*, in accordance with their aggregate outstanding principal amounts (after giving effect to all payments of principal thereof on such Quarterly Distribution Date, from Interest Proceeds and from Principal Proceeds, prior to this clause (6)), in an aggregate amount up to the Class A/B/C Pro Rata Principal Payment Cap for such Quarterly Distribution Date; *provided that*, if the related Determination Date occurs during the Substitution Period (including any Quarterly Distribution Date which occurs on the last day of the Substitution Period), the amounts applied for payment under this clause (6) (together with amounts applied pursuant to (1), (2), (3), (4) and (5) as applicable) shall not exceed an amount equal to the Specified Principal Proceeds with respect to the related Due Period;
- (7) to the payment of the Interest Distribution Amount with respect to the Class D Notes, but only to the extent not paid in full pursuant to clause (8) under "—Interest Proceeds" above;
- (8) after giving effect to application of Uninvested Proceeds, Interest Proceeds and Principal Proceeds pursuant to clauses (1) through (7), (a) if either Class D Coverage Test is not satisfied and if any Class D Note remains Outstanding, to the payment of principal of the Class D Notes, until the Class D Coverage Tests are satisfied and (b) on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, to the payment of principal of the Class D Notes, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation;
- (9) if, after giving effect to application of Uninvested Proceeds, Interest Proceeds and Principal Proceeds pursuant to clauses (1) through (8), either Class E Coverage Test is not satisfied and if any Class D Note remains Outstanding, to the payment of principal of the Class D Notes, until the Class E Coverage Tests are satisfied;
- (10) for each Quarterly Distribution Date which occurs during the Sequential Pay Period, to the payment of principal of the Class D Notes (including any Class D Deferred Interest Amount) until the Class D Notes have been paid in full; *provided that*, if the related Determination Date occurs during the Substitution Period (including any Quarterly Distribution Date which occurs on the last day of the Substitution Period), the amounts applied for payment under this clause (10) (together with amounts applied pursuant to clauses (1) through (9), as applicable) shall not exceed an amount equal to the Specified Principal Proceeds with respect to the related Due Period;
- (11) for each Quarterly Distribution Date which occurs during a Pro Rata Pay Period, to the payment of principal of the Class D Notes (including any Class D Deferred Interest Amount) in an aggregate amount up to the Class D Pro Rata Principal Payment Cap for such Quarterly Distribution Date; *provided that*, if the related Determination Date occurs during the Substitution Period (including any Quarterly Distribution Date which occurs on the last day of the Substitution Period), the amounts applied for payment under this clause (11) (together with amounts applied pursuant to clauses (1) through (10), as applicable) shall not exceed an amount equal to the Specified Principal Proceeds with respect to the related Due Period;
- (12) to the payment of the Interest Distribution Amount with respect to the Class E-1 Notes and the Class E-2 Notes (on a *pro rata* basis based on the interest accrued on each of the Class E Notes during the Interest Period ending immediately prior to such Quarterly Distribution Date), but only to the extent not paid in full pursuant to clause (10) under "—Interest Proceeds" above;
- (13) after giving effect to application of Uninvested Proceeds, Interest Proceeds, and Principal Proceeds pursuant to clauses (1) through (12), (a) if either Class E Coverage Test is not satisfied and if any Class E Note remains Outstanding, to the payment of principal of the Class E-1 Notes and the Class E-2 Notes (on a *pro rata* basis based on the aggregate principal amount of each of the Class E Notes as of the related Determination Date), until the Class E Coverage Tests are satisfied and (b) on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, to the payment of principal of the Class E-1 Notes and the Class E-2 Notes (on a *pro rata* basis based on the aggregate principal amount of each of the Class E Notes as of the related Determination Date), to the extent specified by each relevant Rating Agency;

- (14) to the payment of principal of the Class E-1 Notes (including the Class E-1 Deferred Interest Amount) and the Class E-2 Notes (including the Class E-2 Deferred Interest Amount) (on a *pro rata* basis based on the aggregate principal amount of each of the Class E Notes as of the related Determination Date) until the Class E Notes have been paid in full; *provided* that, if the related Determination Date occurs during the Substitution Period (including any Quarterly Distribution Date which occurs on the last day of the Substitution Period), the amounts applied for payment under this clause (14) (together with amounts applied pursuant to clauses (1) through (13), as applicable) shall not exceed an amount equal to the Specified Principal Proceeds with respect to the related Due Period;
- (15) for each Quarterly Distribution Date through and including the last Quarterly Distribution Date during the Substitution Period, to the Collection Account, to remain available for application to the purchase of substitute Collateral Debt Securities (subject to satisfaction of the Eligibility Criteria) by not later than the last day of the Due Period relating to the Quarterly Distribution Date immediately following such Quarterly Distribution Date, in an amount equal to the amount of Principal Proceeds received during the related Due Period (after giving effect to any payments pursuant to clauses (1) through (14));
- (16) to the payment of amounts referred to in clauses (14) and (15) under "—Interest Proceeds" above in the same order of priority specified therein, but only to the extent not paid thereunder;
- (17) to the payment to the Collateral Manager of the Incentive Management Fee (if any), but only to the extent not paid from Interest Proceeds; and
- (18) to the Preference Share Paying Agent for distribution to the Preference Shareholders as a dividend on the Preference Shares or as a payment on redemption or repurchase of the Preference Shares, in each case, as provided in the Issuer Charter.

The scheduled payments due from the Issuer to the Basis Swap Counterparty under the Basis Swap will be payable under clause (5) of the Interest Proceeds Waterfall prior to payment of interest on the Class A-2 Notes, the Class B Notes and the Class C Notes.

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 by any clause or subclause in this section to different persons (or any sub-clause thereof providing for *pro rata* payments to different persons), the Trustee will to the extent funds are available therefor make the disbursements called for by each such clause or subclause ratably in accordance with the respective amounts of such disbursements in such clause or sub-clause then due and payable without regard to such insufficiency.

Any amounts to be paid to the Preference Share Paying Agent pursuant to clauses (17) of the "Priority of Payments—Interest Proceeds" or clause (18) of the "Priority of Payments—Principal Proceeds" will be released from the lien of the Indenture. Notwithstanding the foregoing, on the Redemption Date, the Accelerated Maturity Date, the Stated Maturity or the Post-Acceleration Maturity Date in the event that after the application of Principal Proceeds and the application of Interest Proceeds under clauses (1) through (16) of the Interest Proceeds Waterfall the principal amount of the Notes has not been paid in full, any amount distributable under clause (17) 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.

Following an Event of Default and the acceleration of the maturity of the Notes, the distribution of Interest Proceeds and Principal Proceeds will be made in accordance with the subordination provisions of the Indenture, such that no Subordinate Class of the Notes will receive any distribution of interest or principal until the entire principal amount of (and all interest accrued on) each Senior Class has been paid in full and the Preference Shares will receive no distributions until the Notes have been paid in full. See "Risk Factors—Subordination of the Preference Shares."

If the Notes and the Preference Shares have not been redeemed prior to the Stated Maturity it is expected that the Issuer will sell all of the Collateral Debt Securities and all Eligible Investments standing to the credit of the Accounts (other than any Hedge Counterparty Collateral Account, the Cashflow Swap Counterparty Collateral Account, any Synthetic Security Issuer Account and any Class A-1S Noteholder Prepayment Account) and sell or liquidate all other Collateral, and all net proceeds from such liquidation and all available Cash will be applied to the payment (in the order of priorities set forth above) of all (i) fees, (ii) expenses (including the amounts due to each Hedge Counterparty or the Cashflow Swap Counterparty), (iii) principal of and interest (including the Class D Deferred Interest Amount, the Class E Deferred Interest Amount, Defaulted Interest and interest on Defaulted Interest, if any) and Commitment Fee on the Notes. Net proceeds from such liquidation and available Cash remaining (after all payments required pursuant to the Indenture and the payment of the costs and expenses of such liquidation, the establishment of adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Issuer, the payment to the Preference Shareholders of the aggregate liquidation preference of the Preference Shares, the return of U.S.\$1,000 of capital contributed to the Issuer by, and the payment of a U.S.\$1,000 profit fee to, the owner of the Issuer's ordinary shares) will be distributed to the Preference Shareholders in accordance with the Issuer Charter.

The Coverage Tests

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

On and after the Ramp-Up Completion Date, the Overcollateralization Tests and the Interest Coverage Tests (the "Coverage Tests") will be used primarily to determine whether and to what extent Interest Proceeds and Principal Proceeds may be used to pay interest on and dividends in respect of the Offered Securities Subordinate to such Class and certain other expenses (including the Subordinate Collateral Management Fee and Incentive Collateral Management Fee) and whether and to what extent Principal Proceeds may be reinvested in substitute Collateral Debt Securities.

The "Class A/B/C Coverage Tests" will consist of the Class A/B/C Overcollateralization Test and the Class A/B/C Interest Coverage Test. The "Class D Coverage Tests" will consist of the Class D Overcollateralization Test and the Class D Interest Coverage Test. The "Class E Coverage Tests" will consist of the Class E Overcollateralization Test and the Class E Interest Coverage Test. For purposes of the Class A/B/C Coverage Tests, Class D Coverage Tests and Class E Coverage Tests, unless otherwise specified, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation. None of the Coverage Tests will apply prior to the Ramp-Up Completion Date.

The Overcollateralization Tests:

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

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

outstanding principal amount of the Class C Notes plus (vi) the aggregate outstanding principal amount of the Class D Notes, including any Class D Deferred Interest Amount.

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

The "Overcollateralization Ratios" means the Class A/B/C Overcollateralization Ratio, the Class D Overcollateralization Ratio and the Class E Overcollateralization Ratio.

The "Class A/B/C Overcollateralization Test" means, for so long as any Class A Notes, Class B Notes or Class C Notes remain outstanding (or the Commitment Period Termination Date has not occurred), a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A/B/C Overcollateralization Ratio on such Measurement Date is equal to or greater than 117.0%.

The "Class D Overcollateralization Test" means, for so long as any Class A Notes, Class B Notes, Class C Notes or Class D Notes remain Outstanding (or the Commitment Period Termination Date has not occurred) a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class D Overcollateralization Ratio on such Measurement Date is equal to or greater than 112.7%.

The "Class E Overcollateralization Test" means, for so long as any Notes remain Outstanding (or the Commitment Period Termination Date has not occurred) a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class E Overcollateralization Ratio on such Measurement Date is equal to or greater than 106.0%.

The "Overcollateralization Tests" means the Class A/B/C Overcollateralization Test, the Class D Overcollateralization Test and the Class E Overcollateralization Test.

The Interest Coverage Tests:

The "Class A/B/C Interest Coverage Ratio" as of any Measurement Date will be calculated (and expressed as a percentage) by dividing:

- (a) the Interest Coverage Amount; by
- (b) the sum of (i) the Commitment Fee Amount for the Class A-1S Notes payable on the Quarterly Distribution Date immediately following such Measurement Date relating to such Due Period plus (ii) the Interest Distribution Amount for the Class A Notes, the Class B Notes and the Class C Notes payable on the Quarterly Distribution Date immediately following such Measurement Date relating to such Due Period.

If the calculation of the Class A/B/C Interest Coverage Ratio produces a negative number, the Class A/B/C Interest Coverage Ratio shall be deemed to be equal to zero.

The "Class D Interest Coverage Ratio" as of any Measurement Date will be calculated (and expressed as a percentage) by dividing:

- (a) the Interest Coverage Amount; by

- (b) the sum of (i) the Commitment Fee Amount for the Class A-1S Notes payable on the Quarterly Distribution Date immediately following such Measurement Date relating to such Due Period plus (ii) the Interest Distribution Amount for the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes payable on the Quarterly Distribution Date immediately following such Measurement Date relating to such Due Period.

If the calculation of the Class D Interest Coverage Ratio produces a negative number, the Class D Interest Coverage Ratio shall be deemed to be equal to zero.

The "Class E Interest Coverage Ratio" as of any Measurement Date will be calculated (and expressed as a percentage) by dividing:

- (a) the Interest Coverage Amount; by
- (b) the sum of (i) the Commitment Fee Amount for the Class A-1S Notes payable on the Quarterly Distribution Date immediately following such Measurement Date relating to such Due Period plus (ii) the Interest Distribution Amount for the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes payable on the Quarterly Distribution Date immediately following such Measurement Date relating to such Due Period.

If the calculation of the Class E Interest Coverage Ratio produces a negative number, the Class E Interest Coverage Ratio shall be deemed to be equal to zero.

The "Interest Coverage Ratios" means the Class A/B/C Interest Coverage Ratio, the Class D Interest Coverage Ratio and the Class E Interest Coverage Ratio.

For purposes of calculating any Interest Coverage Ratio, (A) (i) the expected interest income on Floating Rate Securities, Eligible Investments, Synthetic Securities and under each Hedge Agreement, the scheduled fees and expenses payable to the Cashflow Swap Counterparty under the Cashflow Swap Agreement and the expected interest payable on the Notes, and amounts, if any, payable under each Hedge Agreement and the Cashflow Swap Agreement will be calculated using the interest rates applicable thereto on the applicable Measurement Date and (ii) accrued original issue discount on Eligible Investments will be deemed to be a scheduled interest payment thereon due on the date such original issue discount is scheduled to be paid, (B) it will be assumed that no principal payments are made on the Notes during the applicable periods, that no Borrowings are made under the Class A-1S Notes during the applicable period and that the Designated Maturity of any outstanding Borrowing will remain constant and (C) payments made by the Basis Swap Counterparty pursuant to the Basis Swap will not constitute interest on any Class of Notes but the premiums due from the Issuer to the Basis Swap Counterparty under the Basis Swap, the Class A-1S Other Amounts and the Class A-1J Other Amounts will be included in the denominator of each Interest Coverage Ratio.

The "Class A/B/C Interest Coverage Test" means, for so long as any Class A Notes, Class B Notes or Class C Notes remain outstanding (or if the Commitment Period Termination Date has not occurred), a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A/B/C Interest Coverage Ratio as of such Measurement Date is equal to or greater than 120.0% (or 100% on or after the Ramp-Up Completion Date and on or prior to the first Quarterly Distribution Date).

The "Class D Interest Coverage Test" means, for so long as any Class A Notes, Class B Notes, Class C Notes or Class D Notes remain outstanding (or if the Commitment Period Termination Date has not occurred), a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class D Interest Coverage Ratio as of such Measurement Date is equal to or greater than 115.0% (or 100% on or after the Ramp-Up Completion Date and on or prior to the first Quarterly Distribution Date).

The "Class E Interest Coverage Test" means, for so long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes remain outstanding (or if the Commitment Period Termination Date has not occurred), a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class

E Interest Coverage Ratio as of such Measurement Date is equal to or greater than 110.0%, (or 100% on or after the Ramp-Up Completion Date and on or prior to the first Quarterly Distribution Date).

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

For the purpose of determining compliance with any Interest Coverage Test, except as otherwise specified therein, there shall be excluded all payments in respect of Defaulted Securities, Deferred Interest PIK Bonds and Equity Securities and all other scheduled payments (whether of principal, interest, fees or other amounts) including payments to the Issuer under any Hedge Agreement and the Cashflow Swap Agreement, as to which the Trustee has actual knowledge will not be made in Cash or will not be received when due.

No Gross-Up

All payments of principal and interest in respect of the Notes made by the Issuer will be made free and clear of, and 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 make such payments net of such taxes and neither the Issuer nor the Collateral Manager will be obligated to pay any additional amounts in respect of such withholding or deduction.

The Indenture

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

Events of Default

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

- (a) (i) a default in the payment of any interest or Commitment Fee (if any) on any Class A-1 Note when it becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent or the Note Registrar, such default continues for a period of five Business Days) or (ii) a default in the payment of any interest (A) on any Class A-2 Note, Class B-1 Note, Class B-2 Note or Class C Note when the same becomes due and payable, (B) if there are no Class A-1 Notes, Class A-2 Notes, Class B Notes or Class C Notes outstanding (and the Commitment Period Termination Date has occurred), on any Class D Note, when the same becomes due and payable or (C) if there are no Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes or Class D Notes outstanding (and the Commitment Period Termination Date has occurred), on any Class E Note, when the same becomes due and payable, which default continues for a period of three Business Days (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, such default continues for a period of five Business Days);
- (b) (i) a default in the payment of principal of any Class A-1 Note when the same becomes due and payable at its Stated Maturity or Redemption Date (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, such default continues for a period of five Business Days); or (ii) a default in the payment of principal of any Note (other than a Class A-1 Note) when the same becomes due and payable at its Stated Maturity or Redemption Date (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, such default continues for a period of five Business Days);
- (c) the failure on any Quarterly Distribution Date to disburse amounts available in the Interest Collection Account or Principal Collection Account in accordance with the order of priority set forth above under "—Priority of

Payments" (other than a default in payment described in clause (a) or (f) above), which failure continues for a period of two Business Days (or, in the case of a failure resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, five Business Days) after any of the Issuer or the Co-Issuer has actual knowledge thereof or after notice thereof to the Issuer by the Trustee or to the Issuer and the Trustee by the holders of at least 25% in aggregate outstanding principal amount of Notes of the Controlling Class or by any Hedge Counterparty or the Cashflow Swap Counterparty, in each case, specifying such default or breach and requiring it to be remedied and stating that it is a "notice of default" under the Indenture;

- (d) either of the Co-Issuers or the pool of Collateral becomes an investment company required to be registered under the Investment Company Act;
- (e) a default in the performance, or breach, of any other covenant or other agreement in any material respect (*provided* that, a failure to satisfy a Collateral Quality Test, a Coverage Test, the Class A/B/C/ Sequential Pay Test, the Standard & Poor's CDO Monitor Test or the Eligibility Criteria shall not be a default or breach) of the Issuer or the Co-Issuer under the Indenture or any representation or warranty of the Issuer or the Co-Issuer made in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 consecutive days (or, if such default, breach or failure has an adverse effect on the validity, perfection or priority of the security interest granted under the Indenture, 15 consecutive days) after any of the Issuer or the Co-Issuer has actual knowledge thereof or after notice thereof to the Issuer by the Trustee or to the Issuer and the Trustee by the holders of at least 25% in aggregate outstanding principal amount of Notes of the Controlling Class or by any Hedge Counterparty or the Cashflow Swap Counterparty, in each case, specifying such default or breach and requiring it to be remedied and stating that it is a "notice of default" under the Indenture;
- (f) certain events of bankruptcy, insolvency, receivership or reorganization of either of the Co-Issuers (as set forth in the Indenture); or
- (g) one or more final judgments being rendered against either of the Co-Issuers that exceed, in the aggregate, U.S.\$1,000,000 and which remain unstayed, undischarged and unsatisfied for 30 days after such judgment(s) becomes nonappealable, unless adequate funds have been reserved or set aside for the payment thereof.

If either of the Co-Issuers shall obtain actual knowledge that an Event of Default shall have occurred and is continuing, the Issuer or the Co-Issuer (unless the Trustee shall have provided notice of such Event of Default pursuant to the Indenture) is obligated to promptly notify the Trustee, the Preference Share Paying Agent, the Noteholders, the Collateral Manager, each Hedge Counterparty, the Cashflow Swap Counterparty and each Rating Agency of such Event of Default in writing.

If an Event of Default occurs and is continuing (other than an Event of Default described in clause (d) under "Events of Default" above), (i) the Trustee at the direction of the holders of a majority in aggregate outstanding principal amount of the Controlling Class shall, or (ii) holders of a majority in aggregate outstanding principal amount of the Controlling Class, may (a) declare the principal of and accrued and unpaid interest on and Commitment Fee on all of the Notes to be immediately due and payable, (b) reduce the unfunded Commitments to zero and (c) terminate the Substitution Period. If an Event of Default described in clause (d) above under "Events of Default" occurs, such an acceleration and reduction of Commitments and termination of the Substitution Period will occur automatically and without any further action. Notwithstanding the foregoing, if the sole Event of Default is an Event of Default described in clause (a) or clause (b) above under "Events of Default" with respect to a default in the payment of any principal of or interest 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.

If an Event of Default shall have occurred and is continuing when any Class of Notes is outstanding (or when the Commitment Period Termination Date has not occurred), the Trustee shall retain the Collateral securing the Notes intact, collect and cause the collection of proceeds thereof and make and apply all payments and deposits and

maintain all accounts in respect of the Collateral and continue making payments in the manner described under "—Priority of Payments" unless any of the following conditions are met (each, a "Liquidation Condition"):

- (i) in the case of an Event of Default other than an Event of Default specified in clause (a)(i), (b)(i), (a)(ii)(A) above (A) the Trustee determines that the anticipated proceeds of a sale or liquidation of the Collateral (after deducting the reasonable expenses of such sale or liquidation) 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, Defaulted Interest and interest on Defaulted Interest) and Commitment Fee and certain due and unpaid administrative expenses, and any accrued and unpaid amounts payable by the Issuer pursuant to (1) each Hedge Agreement, including termination payments, if any (assuming, for this purpose, that each Hedge Agreement has been terminated by reason of the occurrence of an event of default or termination event with respect to the Issuer) and (2) the Cashflow Swap Agreement, including termination payments, if any (assuming, for this purpose, that the Cashflow Swap Agreement has been terminated by reason of the occurrence of an event of default or termination event thereunder with respect to the Issuer) in each case in accordance with the Priority of Payments; or (B) the holders of at least 66-2/3% in aggregate outstanding principal amount of each Class of Notes voting as a separate Class, each Hedge Counterparty (unless no early termination or liquidation payment, including any accrued and unpaid amounts, would be owing by the Issuer to such Hedge Counterparty upon the termination thereof by reason of the occurrence of an event of default under any Hedge Agreement with respect to the Issuer) and the Cashflow Swap Counterparty (unless no payment would be owing by the Issuer to the Cashflow Swap Counterparty upon the termination thereof by reason of the occurrence of an event of default under the Cashflow Swap Agreement with respect to the Issuer), subject to the provisions of the Indenture, direct the sale and liquidation of the Collateral;
- (ii) subject to the terms set forth under the heading "—Senior Class Liquidation Direction" below, in the case of an Event of Default specified in clause (a)(i) or (b)(i) under "Events of Default" above, holders of at least 66-2/3% of the aggregate outstanding principal amount of the Class A-1 Notes direct the sale and liquidation of the Collateral; or
- (iii) subject to the terms set forth under the heading "—Senior Class Liquidation Direction" below, in the case of an Event of Default specified in clause (a)(ii)(A) under "Events of Default" above, holders of at least 66-2/3% of the aggregate outstanding principal amount of the Class A-1 Notes and the Class A-2 Notes, voting together as if they were one Class, direct the sale and liquidation of the Collateral.

If any one of the applicable conditions above to the liquidation of the Collateral is satisfied, the Trustee will liquidate the Collateral following an Event of Default 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 Cashflow Swap Counterparty and each Rating Agency that such liquidation is completed, apply the proceeds of such liquidation in accordance with the Priority of Payments and the subordination provisions of the Indenture. The Accelerated Maturity Date will be treated as a Quarterly Distribution Date. Notwithstanding the foregoing, in no event shall any application of the proceeds of any sale or liquidation of the Collateral following an Event of Default occur prior to the earlier of (x) the sixth Business Day after the date on which either of the conditions set forth in clauses (A) and (B) above is satisfied and (y) the date on which amounts (if any) payable by the Issuer to the Hedge Counterparty or the Cashflow Swap Counterparty, as applicable, due to an "Early Termination Event" (as defined in the Hedge Agreement or the Cashflow Swap Agreement, respectively) become due and payable.

If an Event of Default occurs and is continuing and the Notes have been declared due and payable and such declaration and its consequences have not been rescinded and annulled, the holders of a majority of the aggregate outstanding principal amount of Notes of the Controlling Class shall have the right to cause the institution of and direct the time, method and place of conducting any proceeding for any remedy available to the Trustee for exercising any trust, right, remedy or power conferred on the Trustee, *provided* that (i) such direction shall not conflict with any rule of law or the Indenture; (ii) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction *provided* that, subject to the terms of the Indenture the Trustee need not take any action that it determines might involve it in liability unless the Trustee has received satisfactory indemnity against such liability, (iii) the Trustee shall have been provided with an indemnity satisfactory to it; and

(iv) any direction to the Trustee to undertake a sale or liquidation of the Collateral shall be made only pursuant to, and in accordance with, the terms of the Indenture.

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

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request of any holders of any of the Notes, unless such holders have offered to the Trustee reasonable security or indemnity against all costs, expenses and liabilities which might be incurred by the Trustee in compliance with such request.

The holders of a majority in aggregate outstanding principal amount of Notes of the Controlling Class acting together with each Hedge Counterparty and the Cashflow Swap Counterparty, may, prior to the time a judgment or decree for the payment of Cash due has been obtained by the Trustee, waive any past default on behalf of the holders of all the Notes and its consequences (including rescinding the acceleration of the Notes), except a default in the payment of the principal of any Note or in the payment of interest (including Defaulted Interest and interest on Defaulted Interest) or Commitment Fee on the Notes, in respect of a covenant or 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 (a)(i), (b)(i), (a)(ii)(A) or (f) above. Prior to the time a judgment or decree for payment of the Cash due has been obtained by the Trustee, (x) holders of a majority of the aggregate outstanding principal amount of Notes of the Controlling Class, in the case of an Event of Default arising under clause (a)(i) or (b)(i) under "Events of Default" above or (y) holders of at least 66-2/3% of the aggregate outstanding principal amount of the Class A-1 Notes and the Class A-2 Notes, voting together as if they were one Class, (or if no Class A-1 Notes and Class A-2 Notes are outstanding (and the Commitment Period Termination Date has occurred), holders of a majority of the aggregate outstanding principal amount of Notes of the Controlling Class), in the case of an Event of Default specified in clause (a)(ii)(A) under "Events of Default" above, in each case, acting together with the Cashflow Swap Counterparty, may on behalf of the holders of all the Notes waive such past Default and its consequences.

No holder of any Note will have any right to institute any proceedings, judicial or otherwise with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture unless (i) such holder has previously given to the Trustee written notice of an Event of Default, (ii) except in certain cases of a default in the payment of principal, interest, or Commitment Fee (if any), the holders of at least 25% of the then aggregate outstanding principal amount of the Notes of the Controlling Class, shall have made a written request to the Trustee to institute proceedings in respect of such Event of Default in their own name as Trustee, (iii) and such holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, (iv) the Trustee for 30 days after its receipt of such notice, request and offer of indemnity, has failed to institute any such proceeding and (v) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by holders of a majority of the aggregate outstanding principal amount of Notes of the Controlling Class. If the Trustee receives conflicting or inconsistent requests (each with indemnity provisions) from two or more groups of holders of the Notes of the Controlling Class, each representing less than a majority of the such Class, the Trustee shall follow the instructions of the group representing the higher percentage of interest in such Class, notwithstanding any other provisions of the Indenture.

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

Notwithstanding any provision in the Indenture to the contrary, subject to the terms set forth under the heading "—Senior Class Liquidation Direction" below, if two or more Events of Default under clauses (a)(i), (b)(i) or (a)(ii)(A) above have occurred and are continuing, the following holders (or Classes of holders) shall be entitled to exercise all rights granted to such holders (or Classes of holders) in respect of all such Events of Default: (a) holders

of a majority of the aggregate outstanding principal amount of Notes of the Controlling Class, if any of such Events of Default include an Event of Default specified in clauses (a)(i) or (b)(i) under "Events of Default" above and (b) the holders of at least 66-2/3% of the aggregate outstanding principal amount of the Class A-1 Notes and the Class A-2 Notes, voting together as if they were one Class (or if no Class A-1 Notes and Class A-2 Notes are outstanding (and the Commitment Period Termination Date has occurred), holders of a majority of the aggregate outstanding principal amount of Notes of the Controlling Class), if such Events of Default include an Event of Default specified in clause (a)(ii)(A) but not in clause (a)(i) or (b)(i) under "Events of Default" above.

Senior Class Liquidation Direction

Notwithstanding any provision in the Indenture to the contrary, if the Trustee is directed to sell and liquidate the Collateral following any of the Liquidation Conditions set forth in (ii) or (iii) of the definition thereof, (any such direction, a "Senior Class Liquidation Direction"), unless no early termination or liquidation payment, including any accrued and unpaid amounts, would be owing by the Issuer to the Cashflow Swap Counterparty upon the termination thereof by reason of the occurrence of an event of default under the Cashflow Swap Agreement with respect to the Issuer, the Trustee shall determine in accordance with the Indenture (each, a "Cashflow Swap Collateral Sufficiency Determination") whether the anticipated proceeds of a sale or liquidation of the Collateral (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to discharge in full any accrued and unpaid amounts payable by the Issuer pursuant to the Cashflow Swap Agreement, including termination payments, if any (assuming, for this purpose, that the Cashflow Swap Agreement has been terminated by reason of the occurrence of an event of default or termination event thereunder with respect to the Issuer) in each case in accordance with the Priority of Payments (collectively, "Cashflow Swap Termination Amounts").

If the result of the Cashflow Swap Collateral Sufficiency Determination is that the anticipated proceeds of a sale or liquidation of the Collateral (after deducting the reasonable expenses of such sale or liquidation) will not be sufficient to discharge in full all Cashflow Swap Termination Amounts, the Cashflow Swap Counterparty shall have 5 Business Days from the date of receipt of the Trustee's report to send a notice to the Trustee, each Hedge Counterparty and the Co-Issuers (a "Liquidation Objection Notice") that it votes against the sale and liquidation of the Collateral. If the Cashflow Swap Counterparty fails to send a Liquidation Objection Notice to the Trustee within such 5 Business Day period, or sends a notice consenting to such sale and liquidation, the Trustee shall proceed to sell and liquidate the Collateral in accordance with the provisions of the Indenture. If the Trustee receives a Liquidation Objection Notice, the Trustee shall retain the Collateral intact, collect and cause the collection of the proceeds thereof and make and apply all payments and deposits and maintain all accounts in respect of the Collateral and the Notes in accordance with the Priority of Payments and the Indenture. The Trustee shall give notice of such retention of the Collateral to the Issuer with a copy to the Co-Issuer, each Hedge Counterparty, the Cashflow Swap Counterparty and Holders of the Notes of the Controlling Class. So long as the relevant Event of Default is continuing, the Holders of a Majority of the Controlling Class or the Holders of the Class or Classes of Notes entitled to exercise rights under the Indenture in respect of the relevant Event of Default, if different, may at any time (but not more frequently than once every 30 days) issue another Senior Class Liquidation Direction, which shall be subject to the procedures set out above. The rights described under this heading "Senior Class Liquidation Direction" are for the sole benefit of the Cashflow Swap Counterparty and may be waived in whole or in part by the Cashflow Swap Counterparty in its sole discretion.

Notices

Notices to the Noteholders will be given by first-class mail, postage prepaid, to the registered holders of the Notes at their address appearing in the Note Register. In addition, for so long as any Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, notices to the holders of the Notes (other than holders of the Class A-1 Notes) will also be given by delivery to the Company Announcements Office of the Irish Stock Exchange.

Modification of the Indenture

With the consent of (i) the holders of not less than a majority in aggregate outstanding principal amount of each Class of Notes materially and adversely affected thereby and a Majority-in-Interest of Preference Shareholders (if the Preference Shareholders are materially and adversely affected thereby), (ii) each Hedge Counterparty (to the

extent required pursuant to the terms of the relevant Hedge Agreement), and (iii) the Cashflow Swap Counterparty (to the extent required pursuant to the terms of the Cashflow Swap Agreement), the Trustee and Co-Issuers may enter into one or more supplemental indentures to add provisions to, or change in any manner or eliminate any provisions of, the Indenture or modify in any manner the rights of the holders of the Notes of such Class or the Preference Shares, any Hedge Counterparty or the Cashflow Swap Counterparty, as the case may be, under the Indenture. Unless notified by holders of a majority in aggregate outstanding principal amount of any Class of Notes or a Majority-in-Interest of Preference Shareholders that such Class of Notes or Preference Shares, as the case may be, will be materially and adversely affected, or any Hedge Counterparty or Cashflow Swap Counterparty could reasonably be expected to be materially and adversely affected, the Trustee shall be entitled to rely on an opinion of counsel as to whether or not such Class of Notes would be materially and adversely affected or Preference Shares would be materially and adversely affected, or any Hedge Counterparty or Cashflow Swap Counterparty could reasonably be expected to be materially and adversely affected by such change (after giving notice of such change to the holders of such Class of Notes, the Preference Shareholders and the Cashflow Swap Counterparty). Such determination shall be conclusive and binding on all present and future holders of the Notes and the Preference Shareholders, each Hedge Counterparty and the Cashflow Swap Counterparty. As long as any of the Notes are 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 of the Notes that are listed on the Irish Stock Exchange.

Notwithstanding the foregoing, the Trustee may not enter into any supplemental indenture without the consent of each holder of each outstanding Note of each Class materially and adversely affected thereby and each Preference Shareholder (if the Preference Shareholders are materially and adversely affected thereby) (which consent shall be evidenced by an officer's certificate of the Issuer certifying that such consent has been obtained), each Hedge Counterparty (to the extent required pursuant to the terms of the relevant Hedge Agreement) and the Cashflow Swap Counterparty (to the extent required pursuant to the terms of the Cashflow Swap Agreement) if such supplemental indenture (i) changes the Stated Maturity of the principal of or the due date of any installment of interest or Commitment Fee on any Note, reduces the principal amount thereof or the rate of interest or rate of Commitment Fee thereon, or the redemption price with respect thereto, changes the earliest date on which the Issuer may redeem any Note, changes the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal of, interest or Commitment Fee on the Notes, changes any place where, or the coin or currency in which, any Note or the principal thereof or interest or Commitment Fee thereon is payable, or impairs the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable redemption date) or changes the date on which any distribution in respect of the Preference Shares is payable, (ii) reduces the percentage in aggregate outstanding principal amount of holders of each Class of Notes whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder or their consequences, (iii) impairs or adversely affects the Collateral pledged under the Indenture except as otherwise permitted thereby, (iv) permits the creation of any lien ranking prior to or on a parity with the lien created by the Indenture with respect to any part of the Collateral other than the security interest granted to the Synthetic Security Counterparty in the Synthetic Security Counterparty Account (and the Synthetic Security Collateral deposited in such account) or terminates such lien on any property at any time subject thereto or deprives the holder of any Note of the security afforded by the lien created by the Indenture, (v) reduces the percentage of the aggregate outstanding principal amount of holders of each Class of Notes or the percentage of holders of Preference Shares (as applicable) whose consent is required to request that the Trustee preserve the Collateral pledged under the Indenture or rescind the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Indenture, (vi) modifies any of the provisions of the Indenture with respect to supplemental indentures requiring the consent of Noteholders except to increase the percentage of outstanding Notes whose holders' consent is required for any such action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby, (vii) modifies the definition of the term "Outstanding" or the subordination provisions of the Indenture, (viii) increases the permitted minimum denominations of any Class of Notes or (ix) modifies any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest or Commitment Fee of any Note 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. The Trustee may not enter into any such supplemental indenture unless the Rating Condition with respect to Standard & Poor's shall have been satisfied with respect to such supplemental indenture or consent from each

affected Holder of Notes is obtained. This paragraph will not be applicable to the amendments made on the Closing Date by the Class A-1 Agency and Amending Agreement.

The Co-Issuers and the Trustee may also enter into supplemental indentures without obtaining the consent of holders of any Notes, the Preference Shareholders, any Hedge Counterparty (except to the extent otherwise required under the relevant Hedge Agreement) or the Cashflow Swap Counterparty (except to the extent otherwise required under the Cashflow Swap Agreement) in order to (i) evidence the succession of any person to the Issuer or the Co-Issuer and the assumption by such successor of the covenants of the Issuer and the Co-Issuer 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 (2001 Revision) (enacted in the Cayman Islands), The Money Laundering Regulations, (2003 Revision) (of the Cayman Islands) and any other similar applicable laws or regulations or to enable the Co-Issuers to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder, (vii) (a) correct any inconsistency, defect or ambiguity in the Indenture or (b) add any provision to the Indenture not inconsistent with the existing provisions hereof, (viii) obtain ratings on one or more Classes of the Notes from any rating agency, (ix) make administrative changes as the Co-Issuers deem appropriate and that do not materially and adversely affect the interests of any Noteholder, Preference Shareholder, Hedge Counterparty or the Cashflow Swap Counterparty, (x) avoid imposition of tax on the net income or of withholding tax on any payment to or by the Issuer or Co-Issuer or to avoid or reduce the imposition of the requirements of the German Investment Tax Act on the Issuer, Noteholders or Preference Shareholders, (xi) avoid the Issuer or the Co-Issuer being required to register as an investment company under the Investment Company Act, (xii) accommodate the issuance of any Class of Notes as Definitive Notes, (xiii) accommodate (a) the issuance of the Notes, the Preference Shares or Combination Securities to be held through the facilities of DTC, Euroclear or Clearstream or otherwise, (b) the listing of the Notes, Preference Shares or Combination Securities on, or delisting of the Notes, Preference Shares or Combination Securities from, any exchange, (c) the issuance of additional Preference Shares or (d) the refinancing of the Preference Shares through the issuance by the Issuer of unsecured debt securities that by their terms are subordinated in all respects to the Notes, (xiv) correct any non-material error in any provision of the Indenture upon receipt by a trust officer of the Trustee of written direction from the Issuer describing in reasonable detail such error and the modification necessary to correct such error, (xv) to accommodate any replacement Hedge Agreement or Cashflow Swap Agreement, (xvi) conform the Indenture to this Offering Circular, (xvii) correct any manifest error in the Indenture, or (xviii) amend or otherwise to modify (a) if the Rating Condition with respect to Moody's is satisfied, (1) any reference in the Indenture to "Moody's Rating" or a rating assigned by Moody's, (2) the Moody's Minimum Weighted Average Recovery Rate Test, Moody's Maximum Rating Distribution Test or the Correlation Test or (3) the matrix attached as Part I of Schedule A hereto, (b) if the Rating Condition with respect to Standard & Poor's is satisfied, (1) the matrix attached as Part II of Schedule A hereto, (2) the Standard & Poor's Minimum Recovery Rate Test, the Standard & Poor's CDO Monitor Test or (3) any reference herein to "Standard & Poor's Rating" or a rating assigned by Standard & Poor's or (c) if the Rating Condition with respect to each Rating Agency is satisfied, amend the Weighted Average Coupon Test, the Weighted Average Spread Test and the Weighted Average Life Test, *provided that*, in each such case (other than clause (xvi) and (xvii)), such supplemental indenture would not materially and adversely affect any holder of Notes or any Preference Shareholders or could reasonably be expected to have a material adverse effect on any Hedge Counterparty or the Cashflow Swap Counterparty. The Trustee may rely upon an opinion of counsel (which may be based upon a certificate of the Issuer or the Collateral Manager) or a certificate of the Issuer or the Collateral Manager, as to whether the interests of any holder of Notes or Preference Shareholder would be materially and adversely affected, any Hedge Counterparty could reasonably be expected to be materially and adversely affected or the Cashflow Swap Counterparty could reasonably be expected to be materially and adversely affected by any such supplemental indenture (after giving notice of such change to

each holder of Notes, Preference Shareholder, each Hedge Counterparty and the Cashflow Swap Counterparty). The Trustee shall not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Condition has not been satisfied; *provided* that the Trustee may, with the consent of the holders of 100% of the aggregate outstanding principal amount of each Class of Notes, each Hedge Counterparty and the Cashflow Swap Counterparty, enter into any such supplemental indenture notwithstanding any such reduction or withdrawal of the ratings of any outstanding Class of Notes. Notwithstanding the foregoing, the Trustee will 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 in writing, which consent shall not be unreasonably withheld (except that the Collateral Manager may, in its sole discretion, withhold its consent to any supplemental indentures that reduce or delay the payment of the Management Fees to the Collateral Manager or increase the duties of the Collateral Manager).

On the Closing Date, the Issuer and the Trustee will enter into the Class A-1 Agency and Amending Agreement (and thereafter may enter into amendments thereof) without complying with the requirements for a supplemental indenture set forth herein.

In general, the interests of the holders of the Combination Securities will be deemed not to be adversely affected for the purpose of any supplemental indenture, and holders of Combination Securities will not be entitled to voting or consent rights separately as a class. However, holders of Combination Securities will be entitled to vote with respect to the Class B-2 Note Component or (as part of any vote or consent of the holders of Class B-2 Notes, Class B Notes or all Notes) and the Class E-2 Note Component (as part of any vote or consent of the holders of the Class E-2 Notes, Class E Notes or all Notes). Moreover, in the event that a supplemental indenture materially and adversely affects the rights of the Combination Securities other than by affecting the Class B-2 Note Component as part of the Class B Notes or by affecting the Class E-2 Note Component as part of the Class E Notes, the holders of Combination Securities will be entitled to vote as a separate Class on such supplemental indenture.

Except as provided in the following sentence, the holders of the Class B-1 Notes and the Class B-2 Notes shall vote as a single class for purposes of any vote, consent, objection or direction. The holders of the Class B-1 Notes and the Class B-2 Notes shall vote as a single class on any supplemental indenture which materially and adversely affects the rights of the Class B Notes. However, if a supplemental indenture materially and adversely affects the rights of holders of any individual Class of the Class B-1 Notes or the Class B-2 Notes other than by affecting such holders as part of the Class B Notes, the holders of such Class will be entitled to vote as a separate class on such supplemental indenture.

Except as provided in the following sentence, the holders of the Class E-1 Notes and the Class E-2 Notes shall vote as a single class for purposes of any vote, consent, objection or direction. The holders of the Class E-1 Notes and the Class E-2 Notes shall vote as a single class on any supplemental indenture which materially and adversely affects the rights of the Class E Notes. However, if a supplemental indenture materially and adversely affects the rights of holders of any individual Class of the Class E-1 Notes or the Class E-2 Notes other than by affecting such holders as part of the Class E Notes, the holders of such Class will be entitled to vote as a separate class on such supplemental indenture.

Modification of Certain Other Documents

Prior to entering into any agreement amending, modifying, terminating or waiving the Class A-1S Note Purchase Agreement, the Account Control Agreement, any Noteholder Prepayment Account Control Agreement, any Hedge Agreement, the Cashflow Swap Agreement, the Collateral Administration Agreement or the Collateral Management Agreement, the Issuer is required by the Indenture to (i) give 10 days' prior notice to each Rating Agency, the relevant Hedge Counterparty and the Cashflow Swap Counterparty, (ii) give 10 days' prior notice to the Trustee, which notice shall specify the action proposed to be taken by the Issuer and (iii) obtain confirmation from each Rating Agency that the Rating Condition with respect to such amendment, modification or termination having been satisfied; *provided* that that (x) any amendment to any Hedge Agreement shall have been consented to by the relevant Hedge Counterparty thereto, (y) any amendment to the Cashflow Swap Agreement shall have been consented to by the Cashflow Swap Counterparty and (z) the Issuer and the relevant Hedge Counterparty may from time to time enter into or terminate any Deemed Floating Rate Hedge Agreement so long as, in each case, such

action by the Issuer satisfies the Rating Condition and in the case of a termination of a Deemed Floating Rate Hedge Agreement, following any such termination, the Eligibility Criteria would be satisfied, *provided* that with respect to clauses (5), (12), (14) and (21) through (35) of the Eligibility Criteria, if any requirement set forth therein is not satisfied immediately prior to such termination, such requirement will be deemed satisfied if the extent of non-compliance with such requirement is not made worse after giving effect to such termination (except to the extent that a reduction in the extent of compliance does not result in non-compliance). Each Hedge Counterparty and the Cashflow Swap Counterparty each will be an express third party beneficiary of the Indenture.

Consolidation, Merger or Transfer of Assets

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

Petitions for Bankruptcy

The Indenture provides that the holders of the Notes (other than the Controlling Class of Notes) agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Issuer 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 then in effect.

Satisfaction and Discharge of Indenture

The Indenture will be discharged with respect to the Collateral upon delivery to the Trustee for cancellation of all of the Notes, or, subject to certain limitations, upon deposit with the Trustee of funds sufficient for the payment or redemption of the Notes and the payment by the Co-Issuers of all other amounts due under the Notes, the Indenture, each Hedge Agreement (including all termination payments), the Cashflow Swap Agreement (including all termination payments), the Collateral Administration Agreement, Administration Agreement and the Collateral Management Agreement, the Preference Share Paying Agency Agreement and the Class A-1S Note Purchase Agreement.

Trustee

JPMorgan Chase Bank, National Association, a national banking association, 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 the filing of a petition for winding up or a petition in bankruptcy against the Co-Issuers for nonpayment to the Trustee of amounts payable thereunder until at least one year and one day, or if longer, the applicable preference period then in effect, after the payment in full of all of the Notes. Pursuant to the Indenture, the Trustee may resign at any time by providing 30 days' notice to each Hedge Counterparty and the Cashflow Swap Counterparty and the Trustee may be removed at any time by holders of at least 66-2/3% of the aggregate outstanding principal amount of Notes or at any time when an Event of Default shall have occurred and be continuing by holders of at least 66-2/3% of the aggregate outstanding principal amount of Notes of the Controlling Class. However, no resignation or removal of the Trustee will become effective until the acceptance of appointment by a successor Trustee pursuant to the terms of the Indenture. If the Trustee shall resign or be removed, the Trustee shall also resign or be removed as Paying Agent, Calculation Agent, Registrar and any

other capacity in which the Trustee is then acting pursuant to the Indenture, the Preference Share Paying Agency Agreement, the Collateral Administration Agreement and the Account Control Agreement.

Tax Characterization

The Issuer intends to treat the Notes as debt instruments of the Issuer for U.S. Federal, state and local income and franchise tax purposes. The Indenture will provide that each holder (including each beneficial owner holding through a grantor trust for U.S. Federal income tax purposes), by accepting a Note, agrees to such treatment, to report all income (or loss) in accordance with such treatment and not to take any action inconsistent with such treatment, unless otherwise required by any taxing authority under applicable law.

Governing Law

The Indenture, the Investor Application Forms, the Notes, the Preference Share Paying Agency Agreement, the Collateral Administration Agreement, each Hedge Agreement, the Cashflow Swap Agreement, the Class A-1S Note Purchase Agreement, the Class A-1 Agency and Amending Agreement and the Collateral Management Agreement will be construed in accordance with, and such documents and all matters arising out of or relating in any way whatsoever (whether in contract, tort or otherwise) to such documents will be governed by, the law of the State of New York. The Administration Agreement will be governed by, and construed in accordance with, the law of the Cayman Islands.

DESCRIPTION OF THE COMBINATION SECURITIES

The Combination Securities will be issued pursuant to the Indenture. The following summary describes certain provisions of the Combination Securities and the Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. Copies of the Indenture may be obtained by prospective investors upon request to the Trustee at 600 Travis Street, 50th Floor, JPMorgan Chase Tower, Houston, Texas 77002, Attention: Worldwide Security Services-Lenox CDO, Ltd.

Overview

The Issuer will issue U.S.\$30,000,000 Combination Securities due November 2043 (the "Combination Securities"). The Combination Securities will consist of two components:

- (i) a component initially consisting of U.S.\$14,000,000 aggregate outstanding principal amount of the Class B-2 Notes allocable to, and represented by, the Combination Securities (the "Class B-2 Note Component"); and
- (ii) a component initially consisting of U.S.\$16,000,000 aggregate outstanding principal amount of the Class E-2 Notes allocable to, and represented by, the Combination Securities (the "Class E-2 Note Component"); and, together with the Class B-2 Note, the "Underlying Note Components").

The aggregate outstanding principal amount of the Class B-2 Notes included in the Class B-2 Note Component is included in, and is not in addition to, the aggregate outstanding principal amount of the Class B-2 Notes issued by the Co-Issuers as described elsewhere in this Offering Circular. The Class B-2 Notes included in the Class B-2 Note Component will not be separately issued (except as described herein). The aggregate outstanding principal amount of the Class E-2 Notes included in the Class E-2 Note Component is included in, and is not in addition to, the aggregate outstanding principal amount of the Class E-2 Notes issued by the Co-Issuers as described elsewhere in this Offering Circular. The Class E-2 Notes included in the Class E-2 Note Component will not be separately issued (except as described herein).

The Holders of the Combination Securities will be treated as Holders of the Class B-2 Notes (to the extent of the Class B-2 Note Component) and the Class E-2 Notes (to the extent of the Class E-2 Note Component) for purposes of any requests, demands, authorizations, directions, notices, consents, waivers or other actions under the Indenture. The Holders of the Combination Securities will be entitled to vote, or to direct the voting of the Underlying Note Components.

Except as otherwise described in this section entitled "Description of the Combination Securities," the terms and conditions of the Combination Securities (including amounts due and payable thereunder) will be (a) with respect to the Class B-2 Note Component, the terms and conditions of the Class B-2 Notes and (b) with respect to the Class E-2 Note Component, the terms and conditions of the Class E-2 Notes.

Rating

It is a condition to issuance of the Combination Securities that the Combination Securities be rated at least "Aa2" by Moody's. The rating of the Combination Securities addresses only the ultimate receipt of the Combination Security Rated Balance (adjusted from time to time as described herein). The rating of the Combination Securities does not address any other distributions or payments thereon. No rating will apply to the Combination Securities at any time after the Combination Security Rated Balance is reduced to zero.

"Combination Security Rated Balance" means an amount equal to (i) on the Closing Date, U.S.\$30,000,000, which equals the aggregate capital contribution represented by the Combination Securities and (ii) on each Quarterly Distribution Date thereafter, the Combination Security Rated Balance on the immediately preceding Quarterly Distribution Date (or, if there is no such date, on the Closing Date), reduced by the aggregate amount of all cash distributions (including both payments of interest and principal) in respect of the Combination Securities paid to the Holders thereof on such Quarterly Distribution Date.

Reporting

In addition, the Issuer will report the Combination Securities Notional Coupon Amount, the Combination Securities Excess Proceeds Payment Amount and the Combination Securities Notional Balance in the reports that it issues in connection with each Quarterly Distribution Date.

"Combination Securities Notional Coupon Amount" means, with respect to the Combination Securities and any Quarterly Distribution Date, an amount equal to the distributions on the Combination Securities on such Quarterly Distribution Date up to an amount equal to 7.04% per annum (based on a year of 360 days and twelve 30-day months) of the Combination Securities Notional Balance on such Quarterly Distribution Date (prior to giving effect to distributions made on such date).

"Combination Securities Excess Proceeds Payment Amount" means, with respect to the Combination Securities and any Quarterly Distribution Date on or after the date on which the aggregate of all distributions reported as Combination Securities Notional Balance Payment Amounts is equal to, or exceeds, U.S.\$30,000,000, an amount equal to all amounts distributed to the Combination Securityholders on such Quarterly Distribution Date in excess of the amount reported as the Combination Securities Notional Coupon Amount for such date (and, if applicable with respect to the Quarterly Distribution Date on which aggregate distributions reported as Combination Securities Notional Balance Payment Amounts is equal to, or exceeds, U.S.\$30,000,000, the excess remaining over the amount reported as the Combination Securities Notional Balance Payment Amount for such date).

"Combination Securities Notional Balance" means, with respect to the Combination Securities and any date of determination, (a) U.S.\$30,000,000 *minus* (b) the aggregate of all distributions reported as Combination Securities Notional Balance Payment Amounts for each Quarterly Distribution Date occurring on or prior to such date of determination; provided, that when the aggregate of all distributions reported as Combination Securities Notional Balance Payment Amounts is equal to, or exceeds, U.S.\$30,000,000, the Combination Securities Notional Balance shall thereafter be U.S.\$10,000, provided, however, that, at such time as the aggregate principal amount outstanding of the Class B-2 Note Component and the Class E-2 Note Component is equal to zero, the Combination Securities Notional Balance also shall be zero.

"Combination Securities Notional Balance Payment Amount" means, with respect to the Combination Securities, until the Quarterly Distribution Date on which aggregate Combination Securities Notional Balance Payment Amounts reported on and prior to such Quarterly Distribution Date equal U.S.\$30,000,000, an amount equal to all amounts distributed to the Combination Securityholders on such Quarterly Distribution Date in excess of the amount reported as the Combination Securities Notional Coupon Amount for such date.

To the extent that the Combination Securities Notional Coupon Amount is not paid, it will not be an Event of Default under the Indenture. The holders of the Combination Securities will only be entitled to receive the distributions in respect of the Underlying Note Components if and to the extent funds are available for such distributions under the Priority of Payments.

Risk Factors

General

An investment in the Combination Securities involves certain risks. In addition to the risks particular to Combination Securities described in the following two paragraphs, the risk of ownership of the Combination Securities will be (a) with respect to the Class B-2 Note Component, the risks of ownership of the Class B-2 Notes and (b) with respect to the Class E-2 Note Component, the risks of ownership of the Class E-2 Notes. See "Risk Factors."

Transfer of Underlying Note Components

Underlying Note Components are not separately transferable. See "—Exchange of Combination Securities for Underlying Note Components."

Limited Liquidity

There is currently no market for the Combination Securities. Although the Initial Purchaser may from time to time make a market in the Combination Securities, the Initial Purchaser is not under any obligation to do so. If the Initial Purchaser commences any market-making, the Initial Purchaser may discontinue the same at any time. There can be no assurance that a secondary market for the Combination Securities will develop, or if a secondary market does develop, that it will provide the Holders of the Combination Securities with liquidity of investment or that it will continue for the life of the Combination Securities. In addition, the Combination Securities are subject to certain transfer restrictions and can only be transferred to certain transferees as described below. Consequently, an investor in the Combination Securities must be prepared to hold the Combination Securities for an indefinite period of time or until their Stated Maturity.

Authorized Amount

The aggregate outstanding principal amount of Combination Securities which may be issued under the Indenture may not exceed U.S.\$30,000,000, excluding Combination Securities issued upon registration of, transfer of, or in exchange for, or in lieu of, other Combination Securities in accordance with the Indenture.

Status and Security

The Class B-2 Note Component and the Class E-2 Note Component of the Combination Securities are limited recourse obligations of the Issuer. The Combination Securities will be entitled to receive payments only to the extent that payments are made on the Class B-2 Notes included in the Class B-2 Note Component or the Class E-2 Notes included in the Class E-2 Note Component. All of the Combination Securities are entitled to receive payments *pari passu* among themselves. No recourse may be had against any Officer, member, director, manager, security holder or incorporator of the Issuer, the Trustee, the Administrator, any Rating Agency, the Collateral Manager, the Cashflow Swap Counterparty, the Hedge Counterparty, the Initial Purchaser or any of their respective successors or assigns for the payment of any amounts payable under the Combination Securities or the Indenture.

Interest

The Combination Securities do not bear a stated rate of interest. Instead, payments of interest on the Components will be paid to holders of the Combination Securities as described below under "—Payments."

Aggregate Outstanding Principal Amount and Stated Maturity

The Combination Securities shall have the designation, aggregate outstanding principal amount and Stated Maturity as follows:

Designation	Aggregate Outstanding Principal Amount	Combination Securities Stated Maturity
Combination Securities	U.S.\$30,000,000	November 2043

The initial outstanding principal amount of the Combination Securities includes the aggregate outstanding principal amount of the Class B-2 Note Component and the aggregate outstanding principal amount of the Class E-2 Note Component. The original aggregate principal amounts of the Class B-2 Note Component is included in the original aggregate principal amount of the Class B-2 Notes. The original aggregate principal amounts of the Class E-2 Note Component is included in the original aggregate principal amount of the Class E-2 Notes.

Denominations

The Combination Securities will be issuable in a minimum denomination of U.S.\$250,000 and will be offered only in such minimum denomination or an integral multiple of U.S.\$1,000 in excess thereof. After issuance any

Combination Security may fail to be in compliance with the minimum denomination requirement as a result of distributions thereon in accordance with the Priority of Payments.

Combination Securities issued upon transfer, exchange or replacement of other Combination Securities shall be issued in authorized denominations reflecting the aggregate outstanding principal amount of the Combination Securities so transferred, exchanged or replaced, but shall represent only the aggregate outstanding principal amount of the Combination Securities so transferred, exchanged or replaced. If any Combination Security is divided into more than one Combination Security in accordance with the Indenture, the original principal amount of such Combination Security shall be proportionately divided among the Combination Securities delivered in exchange therefor and shall be deemed to be the aggregate outstanding principal amount of such subsequently issued Combination Securities.

Payments

The Indenture provides that on each Quarterly Distribution Date on which payments, if any, are made on the Class B-2 Notes, portions of such payments will be allocated to the Combination Securities in the proportion that the principal amount of Class B-2 Notes represented by the Class B-2 Note Component bears to the total principal amount of Class B-2 Notes (including the Class B-2 Notes allocated to the Class B-2 Note Component) (such ratio, expressed as a percentage, the "Class B-2 Note Component Percentage"). On each Quarterly Distribution Date on which payments, if any, are made in respect of the Class E-2 Notes, portions of such payments will be allocated to the Combination Securities in the proportion that the principal amount of Class E-2 Notes represented by the Class E-2 Note Component bears to the total principal amount of Class E-2 Notes (including the Class E-2 Notes allocated to the Class E-2 Note Component) (such ratio, expressed as a percentage, the "Class E-2 Note Component Percentage"). After the principal amount of the Class B-2 Note Component of the Combination Securities has been reduced to zero, the holders of the Combination Securities will continue to be entitled to receive all distributions on the Class E-2 Note Component *pro rata* in accordance with the principal amount of Class E-2 Notes allocated to the Class E-2 Note Component of each Combination Security held by them.

Payments will be made in the manner described for the Components under "Description of the Notes—Payments." Each Paying Agent appointed under the Indenture will also act as paying agent with respect to the Combination Securities.

No other payments will be made on the Combination Securities. The Class B-2 Note Component Percentage and the Class E-2 Note Component Percentage will be adjusted, as appropriate, upon an exchange of the applicable Combination Security, in whole or in part, for the underlying Class B-2 Notes and Class E-2 Notes as described under "—Exchange of Combination Securities for Underlying Note Components."

Redemption of Combination Securities

The Combination Securities will only be redeemed prior to their stated maturity in part to the extent of the early redemption of the Class B-2 Notes comprising the Class B-2 Note Component and the Class E-2 Notes comprising the Class E-2 Note Component. Any proceeds of the early redemption of the Class B-2 Note Component or the Class E-2 Note Component will be paid to the holders of the Combination Securities on the related Distribution Date to the extent of the ratable portion of such proceeds allocable to such Components. See "Description of the Notes—Mandatory Redemption," "—Auction Call Redemption," "—Optional Redemption and Tax Redemption," "—Redemption Procedures" and "—Redemption Price".

The Combination Securities will be redeemed (1) with respect to the Class B-2 Note Component, by allocation of payments in respect of the Class B-2 Notes to such Underlying Note Component and (2) with respect to the Class E-2 Note Component, by allocation of payments in respect of the Class E-2 Notes to such Underlying Note Component.

Form Generally

Combination Securities offered and sold in reliance on Regulation S (each, a "Regulation S Combination Security") will be represented by one or more permanent global certificates issued in fully registered form without interest coupons (each, a "Regulation S Global Combination Security") and will be deposited with the Trustee at its Corporate Trust Office, as custodian for DTC and registered in the name of DTC or a nominee of DTC, duly executed by the Issuer and authenticated by the Trustee or the Combination Security Authenticating Agent as described below. The aggregate outstanding principal amount of each Regulation S Global Combination Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC or its nominee, as the case may be.

Combination Securities offered and sold in the United States pursuant to an exemption from the registration requirements of the Securities Act (each, a "Restricted Combination Security") will be represented by one or more permanent global certificates issued in fully registered form without interest coupons (each, a "Restricted Global Combination Security"), duly executed by the Issuer and authenticated by the Trustee or the Combination Security Authenticating Agent as described below. The aggregate outstanding principal amount of each Restricted Global Combination Security may from time to time be increased or decreased by adjustments made on the records of the Trustee.

Regulation S Global Combination Securities and Restricted Global Combination Securities may also be exchanged (A) under certain limited circumstances for Combination Securities in definitive, fully registered form without interest coupons, substantially in the form prescribed under the Indenture (which may be either, a "Regulation S Definitive Combination Security" or a "Restricted Definitive Combination Security" and together with the Regulation S Definitive Combination Security, the "Definitive Combination Securities"), or (B) in the case of a transfer to a transferee in the United States pursuant to an exemption from the registration requirements of the Securities Act, for Restricted Definitive Combination Securities, in each case with such legends as may be applicable thereto, which shall be duly executed by the Issuer and authenticated by the Trustee or the Combination Security Authenticating Agent as hereinafter provided.

Execution, Authentication, Delivery and Dating

The Combination Securities shall be executed on behalf of the Issuer by an authorized officer of the Issuer. The signatures of such authorized officer on the Combination Securities may be manual or facsimile (including in counterparts).

Combination Securities bearing the manual or facsimile signatures of individuals who were at any time the authorized officers of the Issuer shall bind such person, notwithstanding the fact that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Combination Securities or did not hold such offices at the date of issuance of such Combination Securities.

At any time and from time to time after the execution and delivery of the Indenture, the Issuer may deliver Combination Securities executed by the Issuer to the Trustee or the Combination Security Authenticating Agent for authentication, and the Trustee or the Combination Security Authenticating Agent, upon Issuer Order, shall authenticate and deliver such Combination Securities as provided in the Indenture and not otherwise.

Each Combination Security authenticated and delivered by the Trustee or the Combination Security Authenticating Agent to or upon Issuer Order on the Closing Date shall be dated as of the Closing Date. All other Combination Securities that are authenticated after the Closing Date for any other purpose under the Indenture shall be dated the date of their authentication.

No Combination Security shall be entitled to any benefit under the Indenture or be valid or obligatory for any purpose, unless there appears on such Combination Security a certificate of authentication in substantially the same form as the Certificate of Authentication for the Notes, executed by the Trustee or by the Combination Security Authenticating Agent by the manual signature of one of their Authorized Officers, and such certificate upon any

Combination Security shall be conclusive evidence, and the only evidence, that such Combination Security has been duly authenticated and delivered under the Indenture.

Registration, Transfer and Exchange of Combination Securities; Exchange for Underlying Note Components

Registration of Combination Securities

Pursuant to the Indenture, the Trustee is appointed as the registrar with respect to the Combination Securities (the "Combination Security Registrar"). The Trustee is also appointed as a transfer agent (a "Combination Security Transfer Agent") under the Indenture with respect to the Combination Securities.

The Combination Security Registrar is required to keep, on behalf of the Issuer, a register for the Combination Securities (the "Combination Security Register") at the Corporate Trust Office in which, subject to such reasonable regulations as it may prescribe, the Combination Security Registrar is required to provide for the registration of Combination Securities and the registration of transfers of Combination Securities. Upon any resignation or removal of the Combination Security Registrar, the Issuer is required to promptly appoint a successor or, in the absence of such appointment, assume the duties of the Combination Security Registrar. The Issuer may not terminate the appointment of the Combination Security Registrar or any Combination Security Transfer Agent without the consent of a Majority of the Combination Securities.

Upon surrender for registration of transfer of any Combination Security at the office or agency of the Issuer required to be maintained pursuant to the terms of the Indenture, the Issuer is required to execute, and the Combination Security Authenticating Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Combination Securities of any authorized denomination and of a like aggregate outstanding principal amount (the "Combination Security Authenticating Agent").

At the option of the Combination Securityholder, Combination Securities may be exchanged for Combination Securities of like terms, in any authorized denominations and of like aggregate outstanding principal amount, upon surrender of the Combination Securities to be exchanged at such office or agency. Whenever any Combination Security is surrendered for exchange, the Issuer is required to execute and the Combination Security Authenticating Agent is required to authenticate and deliver the Combination Securities that the Combination Securityholder making the exchange is entitled to receive.

The Indenture provides that all Combination Securities issued and authenticated upon any registration of transfer or exchange of Combination Securities will be the valid obligations of the Issuer, evidencing the same obligations, and entitled to the same benefits under the Indenture, as the Combination Securities surrendered upon such registration of transfer or exchange.

The Indenture provides that every Combination Security presented or surrendered for registration of transfer or exchange will be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Combination Security Registrar duly executed by the Combination Securityholder or his attorney duly authorized in writing.

The Indenture provides that no service charge will be made to a Combination Securityholder for any registration of transfer or exchange of Combination Securities, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail.

Transfers of Combination Securities

Pursuant to the Indenture, exchanges or transfers of beneficial interests in a Global Combination Security may be made only in accordance with the rules and regulations of the Depository and the transfer restrictions contained in the legend on such Global Combination Security and exchanges or transfers of interests in a Global Combination Security may be made only in accordance with the following requirements:

- (A) Transfers of Global Combination Securities shall generally be limited to transfers of such Global Combination Securities to nominees of the Depositary or to a successor of the Depositary or such successor's nominee.
- (B) The Trustee is required to cause the exchange or transfer of any beneficial interest in Regulation S Global Combination Securities for a beneficial interest in Restricted Combination Securities upon provision to the Trustee of a written certification in the form prescribed under the Indenture (a "Rule 144A Combination Security Transfer Certificate").
- (C) The Trustee is required to cause the exchange or transfer of any beneficial interest in Restricted Global Combination Securities for a beneficial interest in Regulation S Combination Securities upon provision to the Trustee of a Combination Security Transfer Certificate in the form prescribed under the Indenture (a "Regulation S Combination Security Transfer Certificate").
- (D) An owner of a beneficial interest in Regulation S Global Combination Securities may transfer such interest in the form of a beneficial interest in such Regulation S Global Combination Securities *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 in an offshore transaction in accordance with Regulation S, and (2) the Combination Security Registrar and the Paying Agent have received written certification from each of the transferor and transferee in a purchaser and transferee letter in the form prescribed under the Indenture.
- (E) An owner of a beneficial interest in Restricted Global Combination Securities may transfer such interest in the form of a beneficial interest in such Restricted Global Combination Securities without the provision of written certification if the transferee is both a Qualified Institutional Buyer and a Qualified Purchaser.
- (F) In the event Definitive Combination Securities are issued pursuant to the Indenture, the Trustee shall cause the transfer of (i) any beneficial interest in a Global Combination Security for a Definitive Combination Security that is a Regulation S Combination Security, upon provision to the Trustee and the Co-Issuers of a Regulation S Transfer Certificate or (ii) any beneficial interest in a Global Combination Security for a Definitive Combination Security that is a Restricted Combination Security, upon provision to the Trustee, the Co-Issuers and the Combination Security Registrar of a Rule 144A Combination Transfer Certificate.

If Definitive Combination Securities are issued pursuant to the Indenture, the Trustee is required to cause the transfer of (A) any Definitive Combination Security for a beneficial interest in a Regulation S Global Combination Security upon provision to the Trustee and Co-Issuers of a Regulation S Combination Security Transfer Certificate or (b) any Definitive Combination Security for a beneficial interest in a Restricted Global Combination Security, upon provision to the Trustee and the Co-Issuers of a Rule 144A Combination Security Transfer Certificate.

Upon acceptance for exchange or transfer of a beneficial interest in a Global Combination Security for a Definitive Combination Security, or upon acceptance for exchange or transfer of a Definitive Combination Security for a beneficial interest in a Global Combination Security, each as described herein, in each case, the Trustee is required to instruct the Depositary to adjust the principal amount of such Global Combination Security on its records to evidence the date of such exchange or transfer and the change in the principal amount of such Global Combination Security.

Pursuant to the Indenture, subject to the restrictions on transfer and exchange set forth in the Indenture and to any additional restrictions on transfer or exchange specified in the Definitive Combination Securities, a Holder of Definitive Combination Securities may transfer or exchange the same in whole or in part (in a principal amount equal to the minimum authorized denomination or any larger authorized amount) by surrendering such Definitive Combination Security at the Corporate Trust Office or at the office of a Combination Security Transfer Agent, together with (x) in the case of any transfer, an executed instrument of assignment and (y) in the case of any exchange, a written request for exchange. Following a proper request for transfer or exchange, the Trustee is required to (*provided* it has available in its possession an inventory of Definitive Combination Securities), within five Business Days of such request if made at such Corporate Trust Office, or within ten Business Days if made at the office of a Combination Security Transfer Agent (other than the Trustee), authenticate and make available at such Corporate Trust Office or at the office of such Combination Security Transfer Agent, as the case may be, to the transferee (in the case of transfer) or Holder (in the case of exchange) or send by first class mail (at the risk of the

transferee in the case of transfer or Holder in the case of exchange) to such address as the transferee or Holder, as applicable, may request, a Definitive Combination Security or Definitive Combination Securities, as the case may require, for a like aggregate outstanding principal amount and in such authorized denomination or denominations as may be requested. The Indenture provides that the presentation for transfer or exchange of any Definitive Combination Securities shall not be valid unless made at the Corporate Trust Office or at the office of a Combination Security Transfer Agent by the registered Combination Securityholder in person, or by a duly authorized attorney-in-fact. Pursuant to the Indenture, beneficial interests in Global Combination Securities will be exchangeable for Definitive Combination Securities only under the limited circumstances described in the next paragraph.

Beneficial interests in a Global Combination Security deposited with or on behalf of the Depositary hereunder shall be transferred (A) to the owners of such interests in the form of Definitive Combination Securities only if such transfer otherwise complies with the Indenture and (1) the relevant Depositary (x) notifies the Issuer that it is unwilling or unable to continue as Depositary for the Global Combination Securities, (2) the Depositary ceases to be a "clearing agency" registered under the Exchange Act and a successor Depositary is not appointed by the Issuer within 90 days of such notice, (3) if the transferee of an interest in a global security is required by law to take physical delivery of securities in definitive form or (4) if the transferee is unable to pledge its interest in a Global Combination Security or (B) to the purchaser thereof in the form of one or more Definitive Combination Securities in accordance with the Indenture.

If interests in any Global Combination Securities are to be transferred to the beneficial owners thereof in the form of Definitive Combination Securities in accordance with the preceding paragraph, such Global Combination Securities are required to be surrendered by the relevant Depositary, or its custodian on its behalf, to the Corporate Trust Office or to the office of the Combination Security Transfer Agent, and the Trustee or the Combination Security Authenticating Agent shall authenticate and deliver without charge, upon such transfer of interests in such Global Combination Securities, an equal aggregate outstanding principal amount of Definitive Combination Securities in authorized denominations. The Definitive Combination Securities transferred shall be executed, authenticated and delivered only in the minimum specified denominations and registered in such names as the Depositary shall direct in writing.

The Indenture provides that for so long as one or more Global Combination Securities are outstanding:

- (A) the Trustee and its directors, officers, employees and agents may deal with the Depositary for all purposes (including the making of distributions on, and the giving of notices with respect to, the Global Combination Securities);
- (B) unless otherwise provided herein, the rights of beneficial owners shall be exercised only through the Depositary and shall be limited to those established by law and agreements between such beneficial owners and the Depositary;
- (C) for purposes of determining the identity of and principal amount of Combination Securities beneficially owned by a beneficial owner, the records of the Depositary shall be conclusive evidence of such identity and principal amount and the Trustee may conclusively rely on such records when acting hereunder;
- (D) the Depositary will make book-entry transfers among the Depositary Participants of the Depositary and will receive and transmit distributions of principal of and interest on the Global Combination Securities to such Depositary Participants; and
- (E) the Depositary Participants of the Depositary shall have no rights under the Indenture under or with respect to any of the Global Combination Securities held on their behalf by the Depositary, and the Depositary may be treated by the Trustee and its agents, employees, officers and directors as the absolute owner of the Global Combination Securities for all purposes whatsoever.

The Indenture provides that no Combination Security may be sold or transferred (including without limitation, by pledge or hypothecation) unless such sale or transfer is exempt from the registration requirements under

applicable federal and state securities laws and will not cause the Issuer or the pool of Collateral to become subject to the requirement that it register as an investment company under the Investment Company Act.

The Indenture provides that so long as any Combination Securities are outstanding in the form of Global Combination Securities (the "Subject Combination Securities") and are held by or on behalf of the Depositary, transfers and exchanges of the interests in the Subject Combination Securities shall only be made in accordance with the Indenture. The Depositary, upon receipt of instructions that a transfer of a beneficial interest in a Global Combination Security requires the Depositary to reduce or increase the aggregate outstanding principal amount of such Subject Combination Securities, shall adjust the principal amount of such Subject Combination Securities on its books and records to evidence the aggregate outstanding principal amount of the Subject Combination Securities after giving effect to such reduction or increase. The Issuer is not required to issue a Global Combination Security at any time that the aggregate outstanding principal amount of the Subject Combination Securities is zero.

Denominations: Flow-Through Investment Vehicles

The Indenture provides that no person may hold a beneficial interest in any Combination Security except in a denomination authorized for the Combination Securities under the Indenture. No transfer of a Combination Security may be made to a Flow-Through Investment Vehicle other than a Qualifying Investment Vehicle.

Mandatory Sale

The Indenture provides that if, notwithstanding the restrictions set forth therein, either of the Co-Issuers determines that any Beneficial Owner or Holder of (A) a Regulation S Combination Security (or any interest therein) is a U.S. Person or (B) a Restricted Combination Security (or any interest therein) is not both a Qualified Institutional Buyer and also a Qualified Purchaser, 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 Combination Security (or interest therein) to a Person that is (1) not a U.S. Person (in the case of a Person acquiring its interest through a Regulation S Global Combination Security) or (2) in the case of a Restricted Combination Security, 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 direction from the Issuer, the Trustee shall, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's or Holder's interest in such Combination Security to be transferred in a commercially reasonable sale (conducted by an investment bank selected by the Trustee and approved by the Collateral Manager 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 Trustee and the Co-Issuers, in connection with such transfer, that such Person is (A) is not a U.S. Person (in the case of a Person acquiring its interest through a Regulation S Combination Security) or (B) in the case of a Person acquiring its interest through a Restricted Combination Security, is a (a) Qualified Institutional Buyer and (b) a Qualified Purchaser and (ii) pending such transfer, no further payments will be made in respect of such Combination Security (or beneficial interest therein) held by such Holder or beneficial owner and such Combination Security shall be deemed not to be outstanding for the purpose of any vote or consent of the Combination Security holders.

Legends

The Indenture provides that any Combination Security issued upon the transfer, exchange or replacement of Combination Securities shall bear such applicable legend set forth in the section entitled "Transfer Restrictions" unless there is delivered to the Trustee, Combination Security Registrar, Collateral Manager and the Issuer such satisfactory evidence, which may include an opinion of counsel, as may be reasonably required by any of the Trustee, Combination Security Registrar, Collateral Manager and the Issuer to the effect that neither such applicable legend nor the restrictions on transfer set forth therein is required to ensure that transfers thereof comply with the provisions of Rule 144A and to ensure that neither of the Issuer nor the pool of Collateral becomes an investment company required to be registered under the Investment Company Act nor is required by the Internal Revenue Code. Upon provision of such satisfactory evidence, the Trustee or the Combination Security Authenticating Agent, at the direction of the Issuer, shall authenticate and deliver Combination Securities that do not bear such applicable legend.

Expenses: Acknowledgment of Transfer

The Indenture provides that transfer, registration and exchange shall be permitted under the Indenture without any charge to the Combination Securityholder except for a sum sufficient to cover any tax or other governmental charge payable in connection therewith and the expenses of delivery (if any) not made by regular mail. Registration of the transfer of a Combination Security by the Combination Security Registrar shall be deemed to be the acknowledgment of such transfer on behalf of the Issuer.

Surrender upon Final Payment

Pursuant to the Indenture, upon final payment due on the maturity or early redemption of a Combination Security, the Combination Securityholder thereof is required to present and surrender such Combination Security at the Corporate Trust Office of the Trustee or at the office of any Paying Agent.

Repurchase and Cancellation of Combination Securities

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

Transfers Null and Void

Any purported transfer of a Combination Security of the Issuer not in accordance with the Indenture shall be null and void and shall not be given effect for any purpose thereunder.

Exchange of Combination Securities for Underlying Note Components

The Underlying Note Components are not separately transferable. However, pursuant to the Indenture, a Holder of any Combination Security may exchange Combination Securities (in whole but not in part) for its ratable share of the underlying Class B-2 Notes and Class E-2 Notes, as applicable, represented by the applicable Underlying Note Components, subject to the minimum denomination requirements, with respect to the Class B-2 Notes and the Class E-2 Notes as described herein, and in the Indenture, as applicable. Specifically, upon such an exchange, a holder of Combination Securities will receive its ratable share, based on the portion of the total principal amount of Combination Securities owned by such investor, of (1) Class B-2 Notes with a principal balance equal to the Class B-2 Note Component Percentage of the aggregate outstanding principal amount of the Class B-2 Notes (including the Class B-2 Note Component) and (2) Class E-2 Notes with a principal balance equal to the Class E-2 Note Component Percentage of the aggregate outstanding principal amount of the Class E-2 Notes (including the Class E-2 Note Component).

A holder of Class B-2 Notes or Class E-2 Notes (including a holder that received such Class B-2 Notes or Class E-2 Notes upon exchange of a Combination Security) will not have the right to exchange such Class B-2 Notes or Class E-2 Notes for a Combination Security.

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

Supplemental Indentures

The Indenture provides that, notwithstanding anything therein to the contrary, with the consent of a Majority of the Combination Securities, any Hedge Counterparty (to the extent required pursuant to the terms of the relevant Hedge Agreement) and the Cashflow Swap Counterparty (to the extent required pursuant to the terms of the Cashflow Swap Agreement), the Issuer, when authorized by Board Resolutions, and the Trustee and the Custodian,

at any time and from time to time, may enter into one or more indentures supplemental thereto, in form satisfactory to the Trustee, to amend the provisions of the Indenture governing the Combination Securities.

Paying Agents

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

Notices

The Indenture provides that notices to the Holders of the Combination Securities will be given by first class mail, postage prepaid, to the registered Holders of the Combination Securities at their address appearing in the Combination Security Register.

Governing Law

The Indenture provides that the Combination Securities shall be governed by and construed in accordance with the law of the State of New York

Tax Characterization

The Issuer and the Trustee intend, and each Combination Securityholder, by accepting a Combination Security, agrees to treat the Combination Securities for U.S. Federal income tax purposes as consisting of separate and direct ownership interests in the Class B-2 Notes and the Class E-2 Notes underlying the Combination Securities to the extent of the Class B-2 Note Component and the Class E-2 Note Component, respectively. Each of the Issuer, the Trustee and the Combination Securityholders further agrees not to take any action inconsistent with such treatment and to report all income (or loss) in accordance with such treatment, except as otherwise required by any taxing authority in accordance with applicable law.

DESCRIPTION OF THE PREFERENCE SHARES

The Preference Shares will be issued pursuant to the Memorandum and Articles of Association of the Issuer (the "Issuer Charter") and in accordance with a Preference Share Paying Agency Agreement (the "Preference Share Paying Agency Agreement") among JPMorgan Chase Bank, National Association, as Preference Share paying agent (in such capacity, the "Preference Share Paying Agent"), Walkers SPV Limited, as preference share registrar, and the Issuer and will be subscribed to in accordance with the terms of the Investor Application Forms for Preference Shares. The following summary describes certain provisions of the Preference Shares, the Issuer Charter, the Preference Share Paying Agency Agreement and the Investor Application Forms. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Issuer Charter, the Preference Share Paying Agency Agreement and the Investor Application Forms for Preference Shares. Copies of the Issuer Charter, the Preference Share Paying Agency Agreement and the form of Investor Application Form for Preference Shares may be obtained by prospective investors upon request in writing to the Preference Share Paying Agent at 600 Travis Street, 50th Floor, JPMorgan Chase Tower, Houston, Texas 77002, Attention: Worldwide Security Services-Lenox CDO, Ltd.

Status

The Issuer is authorized to issue 25,000 Preference Shares, par value U.S.\$0.01 per share, at an issue price of U.S.\$1,000 per share, having a liquidation preference of U.S.\$1,000 per share. The Preference Shares are participating shares in the capital of the Issuer and will rank *pari passu* with respect to distributions.

Distributions

On each 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.

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

Subject to provisions of The Companies Law (2004 Revision) of the Cayman Islands 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), *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 of the Preference Share Registrar or at the New York office of the Preference Share Paying Agent.

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

If on or after the Ramp-Up Completion Date any of the Coverage Tests is not satisfied on the Determination Date related to any Quarterly Distribution Date, Interest Proceeds and, if needed, Principal Proceeds that would otherwise be distributed to Preference Shareholders on the related Quarterly Distribution Date (subject to the payment of certain other amounts prior thereto) will be used instead to repay principal of the Notes, to the extent and as described herein. In addition, if the Issuer is unable to obtain a Rating Confirmation from each relevant Rating Agency by the first Determination Date following the Ramp-Up Completion Date, funds that would otherwise be distributed to the Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be used to redeem the Notes to the extent necessary (after the application of Uninvested Proceeds for such purpose) to obtain a Rating Confirmation from each Rating Agency. See "Description of the Notes—Priority of Payments."

Optional Redemption of the 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 given not less than 30 days (but not more than 90 days) prior to such Quarterly Distribution Date at a redemption price per share equal to (x) the proceeds from the liquidation of the assets of the Issuer minus the costs and expenses of such liquidation minus all accrued and unpaid liabilities of the Issuer minus the amount required to establish adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Issuer minus a payment to the holders of the ordinary shares of the Issuer an amount equal to U.S.\$1.00 per share divided by (y) the number of Preference Shares.

The Issuer Charter

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

Notices

Notices to the Preference Shareholders will be given by first class mail, postage prepaid, to the registered holders of the Preference Shares at their address appearing in the Preference Share Register. For so long as the Preference Shares are listed on the CISX, and so long as the rules of such exchange so require, notices to the holders of the Preference Shares shall also be given by delivery to the CISX.

Voting Rights

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

Redemption of the Notes: On any Quarterly Distribution Date occurring on the last day of, or after, the Substitution Period, the Notes may, subject to satisfaction of certain conditions described herein, be redeemed (in whole but not in part) at the direction of a Majority-in-Interest of Preference Shareholders, as described under "Description of the Notes—Optional Redemption and Tax Redemption."

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, as described above under "—Optional Redemption of the Preference Shares."

The Indenture: The Issuer is not permitted to enter into certain supplemental indentures without the consent of a Majority-in-Interest of Preference Shareholders (or in some cases 100% of Preference Shareholders as described under "Description of the Notes—Modification of the Indenture.")

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

The Collateral Management Agreement: For a description of certain of the provisions relating to the termination of the Collateral Management Agreement and replacement of certain key individuals associated with the Collateral Manager, see "The Collateral Management Agreement."

Modification of the Issuer Charter

As a general matter of Cayman Islands law, the Issuer Charter may be amended at any time by the holders of at least 66-2/3% of the Preference Shares then outstanding. Any amendment of the Issuer Charter not in accordance with the provisions of the Indenture will constitute an Event of Default under the Indenture.

Dissolution; Liquidating Distributions

The Issuer Charter provides that the Issuer will be wound up on the earliest to occur of (i) at any time on or after the date that is one year and two days after the Stated Maturity of the Notes, upon the Shareholders' determination to dissolve the Issuer, (ii) at any time after the sale or other disposition of all of the Issuer's assets, upon the Shareholders' determination to dissolve the Issuer, (iii) at any time after the Notes are paid in full, upon the Shareholders' determination to dissolve the Issuer and (iv) on the date of a winding up pursuant to the provisions of or as contemplated by the Companies Law of the Cayman Islands as then in effect. The Directors of the Issuer currently intend, if the 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 and Prepayment Considerations."

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

- (1) *first*, to pay the costs and expenses of the winding up, liquidation and termination of the Issuer;
- (2) *second*, to creditors of the Issuer, in the order of priority provided by law;
- (3) *third*, to establish reserves adequate to meet any and all contingent, unliquidated liabilities or obligations of the Issuer, *provided* that at the expiration of a period not exceeding three years after the final liquidation distribution, the balance of such reserves remaining after the payment of such contingencies or liabilities shall be distributed in the manner described herein;
- (4) *fourth*, to pay the Preference Shareholders a sum equal to the aggregate liquidation preference of the Preference Shares;

- (5) *fifth*, to pay the holders of the ordinary shares the nominal amount paid up thereon and the sum of U.S.\$1.00 per ordinary share; and
- (6) *sixth*, to pay to the Preference Shareholders the balance remaining.

Consolidation, Merger or Transfer of Assets

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

Petitions for Bankruptcy

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

Governing Law

The Preference Share Paying Agency Agreement and the Investor Application Forms will be governed by, and construed in accordance with and such documents and all matters arising out of or relating in any way whatsoever (whether in contract, tort or otherwise) to such documents will be governed by, the law of the State of New York. The Issuer Charter and the Preference Shares will be governed by, and construed in accordance with, the law of the Cayman Islands.

No Gross-Up

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

Tax Characterization

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

FORM, DENOMINATION, REGISTRATION AND TRANSFER

Form of Notes and Preference Shares

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

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

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

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

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

Transfer of Global Securities to Definitive Securities. Owners of beneficial interests in Global Securities will be entitled or required, as the case may be, under certain limited circumstances described under "Clearing System—Transfers and Exchanges for Definitive Securities," to receive physical delivery of Definitive Preference Shares or certificated Notes ("Definitive Notes"; the Definitive Notes and Definitive Preference Shares are collectively referred to as the "Definitive Securities"), in each case, in definitive, fully registered form. Definitive Notes issued

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

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

Transfer and Exchange of Notes

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

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

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

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

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

given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (2) a Qualified Purchaser and (B) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (ii) only in accordance with the Applicable Procedures. Any such transferee must be able to make the representations set forth under "Transfer Restrictions."

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

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

Transfer and Exchange of Preference Shares

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

- (i) to a transferee that (A) is both (1) either (x) a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (y) an Accredited Investor, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on an exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (2) a Qualified Purchaser and (B) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle); and
- (ii) in accordance with all other applicable securities laws of any relevant jurisdiction.

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

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

Definitive Preference Share to Definitive Preference Share. 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 of 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. With respect to any transfer of a portion of Definitive Preference Shares, the transferor will be entitled to receive new Restricted Definitive Preference Shares or Regulation S Definitive Preference Shares, as the case may be, representing the number of Preference Shares retained by the transferor after giving effect to such transfer. Definitive Preference Shares issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the Preference Share 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.

Benefit Plan Investors and Controlling Persons. No Preference Share may be transferred to a Benefit Plan Investor or a Controlling Person after the initial sale of the Preference Shares. Please see "Transfer Restrictions."

General

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

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

Charge. No service charge will be made for exchange or registration of transfer of any Security but the Trustee (or, in the case of a Preference Share, 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.

Minimum Denomination or Number. The Class A-1S Notes, the Class A-1J Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be issuable in minimum

denominations of U.S.\$250,000 and will be offered only in such minimum denominations or an integral multiple of U.S.\$1,000 in excess thereof (but in the case of the Class A-1S Notes, will only evidence the aggregate outstanding principal balance of advances under the Class A-1S Note Purchase Agreement). After issuance, (i) a Note may fail to be in compliance with the minimum denomination and integral multiple requirements stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments or, in the case of the Class A-1S Notes, due to Borrowings thereunder and (ii) Class D Notes and Class E Notes may fail to be in an amount which is an integral multiple of U.S.\$1,000 due to the addition to the principal amount thereof of Class D Deferred Interest Amount and Class E Deferred Interest Amount, respectively. Preference Shares will be issuable in minimum lots of 250 Preference Shares (and increments of one Preference Share in excess thereof). Preference Shares may not be transferred if, after giving effect to such transfer, the transferee (or, if the transferor retains any Preference Shares, the transferor) would own less than 250 Preference Shares.

Combination Securities

See "Description of the Combination Securities."

USE OF PROCEEDS

The gross proceeds received from the issuance and sale of the Offered Securities (including the proceeds of the issuance of the Combination Securities to the extent of the Underlying Note Components), together with the Up Front Payment, will be approximately U.S.\$259,000,000 (after giving effect to and assuming the making of all Borrowings under the Class A-1S Notes after the Closing Date) and the anticipated gross proceeds as of the Closing Date will be approximately U.S.\$189,000,000. The net proceeds from the issuance and sale of the Offered Securities (including the proceeds of the issuance of the Combination Securities to the extent of the Underlying Note Components and after giving effect to and assuming the making of all Borrowings under the Class A-1S Notes after the Closing Date), together with the Up Front Payment, are expected to be approximately U.S.\$251,000,000, which reflects the payment from such gross proceeds of (i) organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Collateral Manager and the Initial Purchaser), (ii) the expenses, fees and commissions incurred in connection with the acquisition of the Collateral Debt Securities from the Initial Purchaser for inclusion in the Collateral on or prior to the Closing Date, (iii) the expenses of offering the Offered Securities (including fees payable to the Initial Purchaser in connection with the offering of the Offered Securities) and (iv) the initial deposits into the Expense Account and the Interest Reserve Account. Such net proceeds will be used by the Issuer to purchase a diversified portfolio of interests in (a) certain Asset-Backed Securities, including CBO/CLO Securities and (b) Synthetic Securities the Reference Obligations of which may be CBO/CLO Securities, Asset-Backed Securities, Guaranteed Debt Securities or a specified pool or index of financial assets that, in each case, satisfy the investment criteria described herein. On the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an aggregate Principal Balance of not less than U.S.\$163,000,000. The Issuer expects that, no later than April 14, 2006, it will have purchased (or entered into agreements to purchase) Collateral Debt Securities having an aggregate Principal Balance of at least U.S.\$250,000,000. Any such proceeds not invested in Collateral Debt Securities or deposited into the Expense Account or the Interest Reserve Account will be deposited by the Trustee in the Uninvested Proceeds Account and invested in Eligible Investments pending the use of such proceeds for the purchase of Collateral Debt Securities during the Ramp-Up Period, as described herein, and, in certain limited circumstances described herein, for the payment of the Notes. On the first Quarterly Distribution Date following the Ramp-Up Completion Date a portion of the Uninvested Proceeds (up to \$1,000,000) may be applied as Interest Proceeds if certain conditions in the Indenture are satisfied. See "Security for the Notes—The Accounts—Uninvested Proceeds Account."

RATINGS OF THE OFFERED SECURITIES

It is a condition to the issuance of the Offered Securities that the Class A-1S 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-1J 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-1 Notes be rated "Aa1" by Moody's and "AA" by Standard & Poor's, that the Class B-2 Notes be rated "Aa1" by Moody's and "AA" by Standard & Poor's, that the Class C Notes be rated "Aa2" by Moody's and "AA-" by Standard & Poor's, that the Class D Notes be rated "A1" by Moody's and "A" by Standard & Poor's, that the Class E-1 Notes be rated "Baa1" by Moody's and "BBB" by Standard & Poor's, that the Class E-2 Notes be rated "Baa1" by Moody's and "BBB" by Standard & Poor's and that the Combination Securities be rated "Aa2" by Moody's. The Issuer has not requested that any Rating Agency assign a rating to the Preference Shares. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

The ratings assigned by Moody's to the Notes address the ultimate cash receipt of all required interest and principal payments on each such Class of Notes, in each case as provided in the governing documents, and are based on the expected loss posed to the Noteholders relative to the promise of receiving the present value of such payments. The ratings assigned by Standard & Poor's to the Notes address the timely payment of interest and ultimate payment of principal on each such Class of Notes except that the ratings assigned to the Class D Notes and the Class E Notes address the ultimate payment of interest and principal of each Class of Notes. The rating assigned by Moody's to the Combination Securities addresses only the ultimate receipt of the Combination Security Rated Balance (adjusted from time to time as described herein). The rating of the Combination Securities does not address any other distributions or payments thereon. No rating will apply to the Combination Securities at any time after the Combination Security Rated Balance is reduced to zero.

The Issuer will request that each Rating Agency confirm to the Issuer that it has not reduced or withdrawn the rating (including private or confidential ratings, if any) assigned by it on the Closing Date to any Notes or placed any Note on a watch list for possible downgrade (a "Rating Confirmation"). If a Rating Confirmation Failure occurs, then on the first Quarterly Distribution Date following the Ramp-Up Completion Date, the Issuer will be required to apply Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient, 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, in order of seniority, to the extent necessary to obtain a Rating Confirmation from each Rating Agency. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments."

MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity of the Notes is November 2043. The Notes will mature at their Stated Maturity unless redeemed or repaid prior thereto. However, the average lives of the Notes and the Macaulay duration of the Preference Shares may be less than the number of years until the Stated Maturity of the Notes. Assuming (a) no Collateral Debt Securities default or are sold, (b) any optional redemption of the Collateral Debt Securities occurs in accordance with their respective terms, (c) an Auction Call Redemption occurs on the Quarterly Distribution Date occurring in May 14, 2014, 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 4.44%, (i) the average life of the Class A-1S Notes would be approximately 6.0 years from the Closing Date, (ii) the average life of the Class A-1J Notes would be approximately 6.2 years from the Closing Date, (iii) the average life of the Class A-2 Notes would be approximately 6.2 years from the Closing Date, (iv) the average life of the Class B Notes would be approximately 6.2 years from the Closing Date, (v) the average life of the Class C Notes would be approximately 6.2 years from the Closing Date, (vi) the average life of the Class D Notes would be approximately 6.2 years from the Closing Date, (vii) the average life of the Class E Notes would be approximately 6.2 years from the Closing Date and (viii) the Macaulay duration of the Preference Shares would be approximately 3.8 years. Such average lives of the Notes and the Macaulay duration of the Preference Shares are presented for illustrative purposes only. The assumed identity of the portfolio purchased by the Issuer and the other assumptions used to calculate such average lives of the Notes and the Macaulay duration of the Preference Shares are necessarily arbitrary, do not necessarily reflect historical experience with respect to securities similar to the Collateral Debt Securities and do not constitute a prediction with respect to the rates or timing of receipts of Interest Proceeds or Principal Proceeds, the acquisition of Collateral Debt Securities on or prior to the last day of the Substitution Period, defaults, recoveries, sales, reinvestments, prepayments or optional redemptions to which the Collateral Debt Securities may be subject. Actual experience as to these matters will differ, and may differ materially, from that assumed in calculating the illustrative average lives and the Macaulay duration set forth above, and consequently the actual average lives of the Notes and the Macaulay duration of the Preference Shares will differ, and may differ materially, from those set forth above. Accordingly, prospective investors should make their own determinations of the expected weighted average lives and maturity of the Notes and the Macaulay duration of the Preference Shares and, accordingly, their own evaluation of the merits and risks of an investment in the Notes or the Preference Shares. See "Risk Factors—Projections, Forecasts and Estimates."

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

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

THE CO-ISSUERS

General

The Issuer, a special purpose vehicle, was incorporated as an exempted company with limited liability and registered on October 4, 2005 in the Cayman Islands pursuant to the Issuer Charter, has a registered number of 155857 and is in good standing under the laws of the Cayman Islands. The registered office of the Issuer is at the offices of Walkers SPV Limited, Walker House, Mary Street, P.O. Box 908, George Town, Grand Cayman, British West Indies. 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 each Hedge Agreement, the Cashflow Swap Agreement and Collateral Management Agreement and the Issuer's obligations to the Trustee. The entire authorized share capital of the Issuer will consist of (a) 1,000 ordinary shares, par value U.S.\$1.00 per share (which will be held on trust for charitable purposes by Walkers SPV Limited, in the Cayman Islands (in such capacity, the "Share Trustee") under the terms of a declaration of trust) and (b) 25,000 Preference Shares, par value U.S.\$0.01 per share, having a liquidation preference of U.S.\$1,000 per share.

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

The Co-Issuer, a special purpose vehicle, was incorporated on October 4, 2005 under the law of the State of Delaware with the state identification number WK-155857 and its registered office is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The sole director and officer of the Co-Issuer is Donald J. Puglisi and he may be contacted at c/o Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711. The telephone number is (302) 738-6880. The Co-Issuer has no prior operating experience. It will not have any assets (other than its U.S.\$1,000 of share capital owned by the Issuer) and will not pledge any assets to secure the 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 will be subject to the overview of the Board of Directors of the Issuer. The directors of the Issuer are David Egglshaw, Derrie Boggess and John Cullinane, each of whom is a director or officer of the Administrator and each of whose offices are at Walkers SPV Limited, Walker House, Mary Street, P.O. Box 908, George Town, Grand Cayman, British West Indies. The Administration Agreement may be terminated by either the Issuer or the Administrator upon 30 days' written notice, in which case a replacement Administrator would be appointed.

Pursuant to the terms of the Collateral Administration Agreement between the Issuer, JPMorgan Chase Bank, National Association (the "Collateral Administrator") and the Collateral Manager (the "Collateral Administration Agreement"), the Issuer will retain the Collateral Administrator to prepare certain reports with respect to the Collateral Debt Securities.

The Administrator's principal office is at Walkers SPV Limited, Walker House, Mary Street, P.O. Box 908, George Town, Grand Cayman, British West Indies.

Capitalization and Indebtedness of the Issuer

The capitalization of the Issuer after giving effect to the issuance of the Offered Securities (assuming the Commitments on the Class A-1S Notes have been fully funded) and the ordinary shares of the Issuer but before deducting expenses of the offering of the Offered Securities and organizational expenses of the Co-Issuers and without giving effect to the Up Front Payment, is expected to be as follows:

Class A-1S Notes	U.S.\$70,000,000 ¹
Class A-1J Notes	U.S.\$75,000,000
Class A-2 Notes	U.S.\$2,000,000
Class B-1 Notes	U.S.\$31,000,000
Class B-2 Notes	U.S.\$14,000,000
Class C Notes	U.S.\$8,000,000
Class D Notes	U.S.\$10,000,000
Class E-1 Notes	U.S.\$4,000,000
Class E-2 Notes	U.S.\$16,000,000
Total Debt	U.S.\$230,000,000
Ordinary Shares	U.S.\$1,000
Preference Shares	U.S.\$25,000,000
Total Equity	<u>U.S.\$25,001,000</u>
Total Capitalization	<u>U.S. \$255,001,000</u>

¹ Represents the entire principal balance of the Class A-1S Notes of which zero will be advanced on the Closing Date.

As of the Closing Date and after giving effect to the issuance of the Preference Shares, the authorized and issued share capital of the Issuer will be 1,000 ordinary shares, par value U.S.\$1.00 per share and 25,000 Preference Shares, par value U.S.\$0.01 per share, having a liquidation preference of U.S.\$1,000 per share.

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

The Co-Issuer will be capitalized only to the extent of its U.S.\$1,000 of share capital, will have no assets other than its share capital and will have no debt other than as Co-Issuer of the Notes. As of the Closing Date and after giving effect to the issuance of the Co-Issuer's shares, the authorized and issued share capital of the Co-Issuer is 1,000 common shares, par value U.S.\$1.00 per share.

Business

The Indenture and the Issuer Charter provide that the activities of the Issuer are limited to (i) the issuance of the Notes, the Combination Securities and the Preference Shares, (ii) the acquisition and disposition of, and investment and reinvestment in, Collateral Debt Securities, Equity Securities 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-1S Note Purchase Agreement, the Purchase Agreement, the Investor Application Forms, the Account Control Agreement, each Noteholder Prepayment Account Control Agreement, the Preference Share Paying Agency Agreement, each Hedge Agreement, the collateral assignment of each Hedge Agreement, the Cashflow Swap Agreement, the collateral assignment of the Cashflow Swap Agreement, the Collateral Management Agreement, the Class A-1 Agency and Amending Agreement, the Collateral Administration Agreement, the Administration Agreement and the Master Forward Sale Agreement (and the other agreements entered into pursuant thereto), (iv) the pledge of the Collateral as security for its obligations in respect of (inter alia) the Notes, (v) the ownership and management of the

Co-Issuer and (vi) certain activities conducted in connection with the payment of amounts in respect of the Offered Securities, the management of the Collateral and other incidental activities.

The Issuer has no employees. Article III of the Co-Issuer's Certificate of Incorporation states that the Co-Issuer will not undertake any business other than the issuance of the Notes. The Co-Issuer will not pledge any assets to secure the Notes, and will not have any interest in the Collateral held by the Issuer.

Since incorporation, neither the Issuer nor the Co-Issuer has commenced trading or established any accounts.

SECURITY FOR THE NOTES

General

The Collateral securing the Notes will consist of: (a) the Custodial Account and all Collateral Debt Securities and Equity Securities credited to such account, (b) the Interest Collection Account, the Uninvested Proceeds Account, the Principal Collection Account, the Payment Account, the Expense Account, the Interest Reserve Account, the Semi-Annual Interest Reserve Account, each Hedge Counterparty Collateral Account, the Cashflow Swap Counterparty Collateral Account, each Synthetic Security Counterparty Account, each Synthetic Security Issuer Account, each Class A-1S Noteholder Prepayment 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, (c) the rights of the Issuer under each Hedge Agreement, (d) the rights of the Issuer under the Cashflow Swap Agreement, (e) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Investor Application Forms and the Class A-1S Note Purchase Agreement, (f) all Cash delivered to the Trustee and (g) all proceeds, accessions, profits, income, benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses (collectively, the "Collateral"). The security interest granted under the Indenture in each Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account.

The Indenture permits the Issuer to acquire Collateral Debt Securities which are rated below investment grade so long as such acquisitions do not cause the Collateral Debt Securities which have below investment grade ratings from both Moody's and Standard & Poor's to exceed 50% the Net Outstanding Portfolio Collateral Balance. Such Collateral Debt Securities will have greater credit and liquidity risk than investment grade obligations. See "Risk Factors."

The Trustee will provide upon request by a prospective investor or investors a list of the Collateral Debt Securities.

Eligibility Criteria

On the Closing Date the Issuer will acquire or commit to acquire Collateral Debt Securities with an aggregate Principal Balance equal to at least U.S.\$163,000,000. On or prior to February 14, 2006 the Issuer is required to use commercially reasonable efforts to acquire or commit to acquire Collateral Debt Securities (including Collateral Debt Securities acquired by MLI on behalf of the Co-Issuers pursuant to the Master Forward Sale Agreement) which (together with all Principal Proceeds received by the Issuer on or after the Closing Date) have an aggregate Principal Balance of at least U.S.\$200,000,000. Prior to and including the last day of the Ramp-Up Period, the Issuer is required to use commercially reasonable efforts to acquire or commit to acquire Collateral Debt Securities which (together with all Principal Proceeds received by the Issuer on or after the Closing Date) have an aggregate Principal Balance of at least U.S.\$250,000,000. Prior to and including the last day of the Substitution Period, the Issuer may reinvest Principal Proceeds (other than Specified Principal Proceeds), including amounts transferred to the Principal Collection Account from the Interest Reserve Account, in additional Collateral Debt Securities. The Issuer will not make a commitment to purchase any Collateral Debt Security after the last day of the Substitution Period. The Issuer may only purchase Collateral Debt Securities if, after giving effect to such investment, each of the following criteria (the "Eligibility Criteria") is satisfied with respect to such 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 issuer | (2) the issuer of such security (including the issuer of any CBO/CLO Securities held in the Underlying Portfolio of any CDO of CDOs) is organized or incorporated under the law of the United States or a State thereof or in a Special Purpose Vehicle Jurisdiction; |

Dollar denominated	(3) such security is Dollar denominated and is not convertible into, or payable in, any other currency;
Fixed principal amount; No Interest Only Securities	(4) such security requires the payment of a fixed amount of principal in Cash no later than its Stated Maturity or termination date and such security does not represent ownership of only the interest component of a debt obligation;
Rating	(5) (A) such security (including any Synthetic Security) has a Moody's Rating and a Standard & Poor's Rating and any rating from Standard & Poor's does not include the subscript "r," "t," "p," "pi" or "q," and (B) if such security (including any Synthetic Security) has a public rating from Moody's or Standard & Poor's, the public rating of such security is at least "Ba3" from Moody's (if publicly rated by Moody's) or at least "BB-" from Standard & Poor's (if publicly rated by Standard & Poor's); <i>provided</i> that (1) all Pledged Collateral Debt Securities that have a public rating of below "Baa3" from Moody's (if publicly rated by Moody's) or below "BBB-" from Standard & Poor's (if publicly rated by Standard & Poor's) do not exceed 50% of the Net Outstanding Portfolio Collateral Balance and (2) with respect to the particular issuer of the security being acquired and all Pledged Collateral Debt Securities, the aggregate Principal Balance of all Pledged Collateral Debt Securities that have a public rating of below "Baa3" from Moody's (if publicly rated by Moody's) or below "BBB-" from Standard & Poor's (if publicly rated by Standard & Poor's) issued by any one issuer does not exceed 2% of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date;
Registered form	(6) such security is in registered form for U.S. Federal income tax purposes and it (and if it is a certificate of interest in a grantor trust for U.S. Federal income tax purposes, each of the obligations or securities held by such trust) was issued after July 18, 1984 ("Registered");
No withholding	(7) the Issuer will receive payments due under the terms of such security and proceeds from disposing of such security free and clear of withholding tax, other than withholding tax as to which the obligor or issuer or another person 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 will not cause the Issuer or the pool of Collateral to become an investment company required to be registered under the Investment Company Act;
ERISA	(10) such security is not a security that, pursuant to 29 C.F.R. §2510.3-101, if held by an employee benefit plan subject to ERISA, would cause such employee benefit plan to be treated as owning an undivided interest in each of the underlying assets of such entity for purposes of ERISA;
Prohibited Securities	(11) such security is not an Equity Security, a security exchangeable into an Equity Security, a Defaulted Security, a Credit Risk Security, a Deferred Interest PIK Bond, a Written Down Security, an Inverse Floater Security or a PFIC Equity Security;
Other ABS	(12) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Other ABS (including any Synthetic Security as to which the Reference Obligation is an Other ABS) is

at least 5% but does not exceed 25% of the Net Outstanding Portfolio Collateral Balance;

Disallowed Types; Specified Types	(13) such security (including the Reference Obligation of any Synthetic Security) is not an Aerospace and Defense Security; a Bank Guaranteed Security; a Car Rental Receivable Security; an Emerging Market Security; a Healthcare Security; an Insurance Company Guaranteed Security; a Manufactured Housing Security; a Mutual Fund Security; an Oil and Gas Security; a Project Finance Security; a Recreational Vehicle Security; a REIT Debt Security; a Restaurant and Food Services Security; a Structured Settlement Security; a Tax Lien Security; or a Time Share Security; and such security is a Specified Type (other than a Specified Type described above) or a Synthetic Security as to which the Reference Obligation is of a Specified Type (other than a Specified Type described above);
Limitation on Stated Final Maturity	(14) such security (including the Reference Obligation of any Synthetic Security) does not have a Stated Maturity that occurs later than the Stated Maturity of the Notes except that the Issuer may acquire a Collateral Debt Security having a Stated Maturity after the Stated Maturity of the Notes (including the Reference Obligation of any Synthetic Security) so long as (A) the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (B) the expected last payment of principal on all such Collateral Debt Securities is not later than the Stated Maturity on the Notes, (C) as of any date, the Weighted Average Life of all such Collateral Debt Securities is not greater than 13 years and (D) such security does not have a Stated Maturity that occurs later than 5 years after the Stated Maturity of the Notes;
No Foreign Exchange Controls	(15) payments in respect of such security are not made from a country that has imposed foreign exchange controls that are in effect and 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	(16) such security is not, and any Equity Security acquired in connection with such security is not, Margin Stock;
No Debtor-in-Possession Financing	(17) such security is not a financing by a debtor-in-possession in any insolvency proceeding;
No Optional or Mandatory Conversion or Exchange	(18) such security is not a security that by the terms of its Underlying Instruments provides for conversion or exchange (whether mandatory, at the option of the issuer or the holder thereof or otherwise) into equity capital at any time;
Not Subject to an Offer or Called for Redemption	(19) such security is not to the knowledge of the Collateral Manager the subject of an Offer and has not been called for redemption for (a) any non-Cash consideration unless such non-Cash consideration would otherwise meet the Eligibility Criteria and does not amount, in the sole judgment of the Collateral Manager, to a diminished financial obligation or (b) cash consideration in an amount less than the outstanding principal amount of such security;
No Future Advances	(20) such security is not a security with respect to which the Issuer is required by the Underlying Instruments to make any future payment or advance to the issuer thereof or to the related Synthetic Security Counterparty (other than a Defeased Synthetic Security);
Fixed Rate Securities	(21) if such security is a Fixed Rate Security, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

Pure Private Collateral Debt Securities	(22) if such security is a Pure Private Collateral Debt Security (including any Synthetic Security as to which the Reference Obligation is a Pure Private Collateral Debt Security), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;
Corporate Guarantees and Guaranteed Debt Securities	(23) if such security is a Guaranteed Debt Security or such security is guaranteed as to ultimate or timely payment of principal or interest (including any Synthetic Security as to which the Reference Obligation is a Guaranteed Debt Security or is guaranteed as to ultimate or timely payment of principal or interest), the aggregate Principal Balance of all such Pledged Collateral Debt Securities (together with the aggregate Principal Balance of each Synthetic Security the Reference Obligation of which is such a security) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance;
Issuer Concentration	<p>(24) with respect to the particular issuer of the security being acquired and all Pledged Collateral Debt Securities, the aggregate Principal Balance of all Pledged Collateral Debt Securities issued by any one issuer (together with the aggregate Principal Balance of each Synthetic Security the Reference Obligation of which is such a security) is not greater than 2% of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date, <i>provided</i> that the aggregate Principal Balance of all Pledged Collateral Debt Securities of a particular issuer that are Other ABS (together with the aggregate Principal Balance of each Synthetic Security the Reference Obligation of which is an Other ABS of such issuer) is not greater than 1% of the Net Outstanding Portfolio Collateral Balance;</p> <p>For purposes of this clause (24), any issuers Affiliated with one another will be considered one issuer (other than issuers that are Affiliated solely by reason of common ownership by a Financial Sponsor);</p>
Single Servicer	(25) if such security is an Other ABS (including any Synthetic Security the Reference Obligation of which is Other ABS), with respect to the Servicer of such security, (A) if such Servicer has a servicer ranking of "Strong" or higher by Standard & Poor's, the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Other ABS serviced by such Servicer (together with the aggregate Principal Balance of each Synthetic Security the Reference Obligation of which is such type of security) does not exceed 15% of the Net Outstanding Portfolio Collateral Balance, (B) if such Servicer has a credit rating of "A3" or higher by Moody's or a servicer ranking of "SQ2" or higher by Moody's and a servicer ranking of "Above Average" or higher by Standard & Poor's (or if no servicer ranking has been assigned by Standard & Poor's, a credit rating of "A-" or higher by Standard & Poor's), the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Other ABS serviced by such Servicer (together with the aggregate Principal Balance of each Synthetic Security the Reference Obligation of which is such type of security) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance or (C) if such Servicer has a credit rating of below "A3" by Moody's, a servicer ranking of below "SQ2" by Moody's or a servicer ranking below "Above Average" by Standard & Poor's (or if no servicer ranking has been assigned by Standard & Poor's, a credit rating of below "A-" by Standard & Poor's), the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Other ABS serviced by such Servicer (together with the aggregate Principal Balance of each Synthetic Security the Reference Obligation of which is such type of security) does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance;
Synthetic Securities	(26) if such security is a Synthetic Security, then: (A) such Synthetic Security is acquired from a Synthetic Security Counterparty, (B) such Synthetic Security has only one Reference Obligation, (C) the aggregate Principal Balance of all Pledged Collateral Debt Securities constituting Defeased Synthetic Securities acquired from any single Synthetic Security Counterparty and its Affiliates does not exceed 40% of the Net Outstanding Portfolio Collateral Balance, (D) the aggregate Principal Balance of all Pledged Collateral Debt Securities constituting Synthetic Securities which are not Defeased Synthetic Securities acquired from any single Synthetic Security Counterparty and its Affiliates does not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (E) if

such Synthetic Security is a Defeased Synthetic Security, such security meets the definition of Defeased Synthetic Security, (F) unless it is a Form Approved Synthetic Security, the Rating Condition has been satisfied with respect to Standard & Poor's with respect to the acquisition of such Synthetic Security (and each of Moody's and Standard & Poor's has assigned an Applicable Recovery Rate to such Synthetic Security, Standard & Poor's has assigned a Rating or credit estimate and there has been a Moody's Rating Factor assigned by Moody's), (G) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Synthetic Securities does not exceed 40% of the Net Outstanding Portfolio Collateral Balance, and (H) the Reference Obligation to which such Synthetic Security relates would (treating the acquisition of the Synthetic Security as acquisition of the Reference Obligation from the Synthetic Security Counterparty) satisfy each of the clauses of the Eligibility Criteria;

CBO/CLO Securities

(27) (A) if such security is an Asset-Backed CBO/CLO Security (including any Synthetic Security as to which the Reference Obligation is an Asset-Backed CBO/CLO Security), the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Asset-Backed CBO/CLO Securities (including any Synthetic Security as to which the Reference Obligation is an Asset-Backed CBO/CLO Security) does not exceed 75% of the Net Outstanding Portfolio Collateral Balance; (B) if such security is a CLO Security (including any Synthetic Security as to which the Reference Obligation is a CLO Security), the aggregate Principal Balance of all Pledged Collateral Debt Securities that are CLO Securities (including any Synthetic Security as to which the Reference Obligation is a CLO Security) does not exceed 25% of the Net Outstanding Portfolio Collateral Balance and (C) if such security is a CBO/CLO Security other than an Asset-Backed CBO/CLO Security or a CLO Security (including any Synthetic Security as to which the Reference Obligation is a CBO/CLO Security (other than an Asset-Backed CBO/CLO Security or a CLO Security)), the aggregate Principal Balance of all Pledged Collateral Debt Securities that are such CBO/CLO Securities (including any Synthetic Security as to which the Reference Obligation is such a CBO/CLO Security) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance; provided, however, that no CBO/CLO Security may be managed or serviced by the Collateral Manager;

Frequency of Interest Payments

(28) (A) such security provides for periodic payments of interest in Cash not less frequently than semi-annually and (B) if such security provides for periodic payments of interest in Cash less frequently than quarterly, the aggregate Principal Balance of all Pledged Collateral Debt Securities that provide for periodic payments of interest in Cash less frequently than quarterly (together with the aggregate Principal Balance of each Synthetic Security the Reference Obligation of which is such a security) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance;

Step-Down Bonds; Step-Up Bonds

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

Backed by Obligations of Non-U.S. Obligors

(30) the Aggregate Attributable Amount of all Pledged Collateral Debt Securities (including any Synthetic Security as to which its respective Reference Obligation is) related to (A) Non-U.S. Obligors does not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (B) obligors organized in the United Kingdom does not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (C) obligors organized in Canada does not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (D) Qualifying Foreign Obligors organized in any other jurisdiction does not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance, (E) Emerging Market Issuers does not exceed 2.0% of the Net Outstanding Portfolio Collateral Balance and (F) obligors (other than Qualifying Foreign Obligors and obligors organized in the United States or a State thereof or in a Special Purpose Vehicle Jurisdiction) organized in any other jurisdiction does not exceed 0%

of the Net Outstanding Portfolio Collateral Balance;

Collateral Quality Tests	(31) (A) each of the applicable Collateral Quality Tests is satisfied or, if immediately prior to such acquisition one or more of such Collateral Quality Tests was not satisfied, the extent of non-compliance with such Collateral Quality Tests may not be made worse (except to the extent that a reduction in the extent of compliance does not result in non-compliance) and (B) on and after the Ramp-Up Completion Date, the Standard & Poor's CDO Monitor Test is satisfied or, if immediately prior to such investment the Standard & Poor's CDO Monitor Test was not satisfied, the result is closer to compliance and the Issuer shall have promptly delivered to the Trustee, the Noteholders and Standard & Poor's an Officer's certificate specifying the extent to which the Standard & Poor's CDO Monitor Test was not satisfied;
Coverage Tests	(32) on and after the Ramp-Up Completion Date, each of the Coverage Tests is satisfied;
Deemed Floating Rate Securities/ Deemed Fixed Rate Securities	(33) 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 0% of the Net Outstanding Portfolio Collateral Balance;
Purchase Price	(34) such security is purchased at a purchase price (calculated as a percentage of par and without regard to any interest accrued to the date of purchase) that is not less than (A) 80% multiplied by (B) the Adjusted Issue Price of such security; and
Combination Securities	(35) if such security consists of (or payments on and the rating of such security are based on the payments on) two or more other CBO/CLO Securities issued by the same issuer, the aggregate Principal Balance of such securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance.

If at any time prior to and including the last day of the Substitution Period, the Issuer has made a commitment to acquire a security, then the Eligibility Criteria need not be satisfied when the Issuer pledges such security to the Trustee if (A) the Issuer acquires such security within 30 days of making the commitment to acquire such security and (B) the Eligibility Criteria were satisfied immediately after the Issuer made such commitment. If the Issuer enters into a transaction during the Ramp-Up Period to acquire a security on a forward sale basis pursuant to the Master Forward Sale Agreement, then, notwithstanding anything in the Indenture to the contrary (including the Eligibility Criteria), such security may be acquired by the Issuer on April 14, 2006 (unless MLI and the Issuer agree to any other Business Day occurring during the Ramp-Up Period) at the price specified in the Master Forward Sale Agreement so long as the Eligibility Criteria were satisfied on the date such transaction was entered into by the Issuer. With respect to clauses (5), (12), (14) and (21) through (35) above, if any requirement set forth therein is not satisfied immediately prior to the acquisition of the related security, such requirement is deemed satisfied if the extent of non-compliance with such requirement is not made worse after giving effect to such acquisition (except to the extent that a reduction in the extent of compliance does not result in non-compliance).

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, for purposes of the Collateral Quality Tests other than the Correlation Test, the Eligibility Criteria will take into account the terms of the Synthetic Security. See "—Synthetic Securities."

Notwithstanding the foregoing provisions, (A) Cash on deposit in the Collection Accounts and the Uninvested Proceeds Account may be invested in Eligible Investments, pending investment in Collateral Debt Securities and (B) if an Event of Default shall have occurred and be continuing during the Substitution Period, no Collateral Debt Security may be acquired unless it was the subject of a commitment entered into by the Issuer prior to the occurrence of such Event of Default.

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

The Collateral Manager will also be required to comply with certain U.S. Federal income tax related restrictions as provided in the Collateral Management Agreement.

Synthetic Securities

A portion of the Collateral Debt Securities will consist of Synthetic Securities entered into between the Issuer and a Synthetic Security Counterparty. Each Synthetic Security will consist of a credit default swap, a total return swap or a credit linked note or a combination of the foregoing. On the Closing Date, the Issuer expects to enter into (or commit to enter into) Defeased Synthetic Securities with MLI, each consisting of a credit default swap and a related total return swap, with a notional amount equal to approximately U.S.\$97,000,000 (or approximately 39% of the Net Outstanding Portfolio Collateral Balance). The Reference Obligations under the initial Synthetic Securities are expected to be CBO/CLO Securities. The Issuer may enter into additional Synthetic Securities after the Closing Date, so long as it does not cause the aggregate Principal Balance of the Synthetic Securities to exceed 40% of the Net Outstanding Portfolio Collateral Balance.

The Synthetic Securities which the Issuer will enter into (or commit to enter into) on the Closing Date will be made pursuant to a single ISDA Master Agreement between the Issuer and the initial Synthetic Security Counterparty and confirmations thereunder. Under the terms of these confirmations the Issuer and the initial Synthetic Security Counterparty will make the following payments: (i) the Synthetic Security Counterparty will pay to the Issuer a specified fixed rate on the notional amount of the Synthetic Security (provided that the amount paid will be reduced by the amount of any interest shortfall on the Reference Obligation), (ii) the Issuer will pay to the Synthetic Security Counterparty the amount of any principal not paid at the maturity of the Reference Obligation and the amount of any writedown of the principal amount or certificate balance of the Reference Obligation (or, if the Reference Obligation does not provide for such writedowns, the Issuer will pay the "implied writedown amount" which is an estimate of the amount by which the Reference Obligation is undercollateralized), (iii) if a "credit event" specified in the confirmation occurs the Issuer will, at the option of the Synthetic Security Counterparty, be required to purchase the Reference Obligation from the Synthetic Security Counterparty at a price equal to the principal amount or certificate balance thereof and (iv) at the option of MLI, the Issuer will either receive the interest income on the Synthetic Security Collateral or pay, if the terms of the Synthetic Security in effect at the time so provide, the interest income on the Synthetic Security Collateral to the Synthetic Security Counterparty (in return for which the Synthetic Security Counterparty will make a LIBOR-based payment to the Issuer). Any one of the following is expected to be a "credit event" under the initial Synthetic Securities: an extension of the maturity of the Reference Obligation, a failure to pay the principal amount of the Reference Obligation in full by its legal final maturity date, the occurrence of a writedown (or an "implied writedown") of the principal amount of the Reference Obligation, the reduction of any rating on the Reference Obligation below certain levels specified in the Synthetic Security, or the deferral of interest payments on a Reference Obligation for a specified period of time. One Synthetic Security Counterparty Account will be established by the Issuer to secure its obligations under all of the Synthetic Securities entered into on the Closing Date with the initial Synthetic Security Counterparty, and the initial Synthetic Security Counterparty will have the right to approve the Synthetic Security Collateral in which such Account will be invested from time to time. The initial Synthetic Security Collateral is expected to be CBO/CLO Securities, and MLI is expected to enter into total return swap transactions with the Issuer with respect to the initial Synthetic Security Collateral after the Closing Date. However, there can be no assurance that MLI will enter into such total return swap transactions with the Issuer and unless and until such transactions are made the Issuer will invest the funds in the Synthetic Security Counterparty Account in Eligible Investments. MLI will have the right to terminate such total return swap transactions, in part or in whole, and will not have an obligation to enter into replacement transactions. The Synthetic Security Collateral in such Synthetic Security Counterparty Account will be available to satisfy the Issuer's obligations to the initial Synthetic Security Counterparty under any of the Synthetic Securities, and the initial Synthetic Security Counterparty will not have recourse to any other assets of the Issuer to pay such amounts. The foregoing is only a summary of certain of the expected terms of the initial Form Approved Synthetic Security and does not purport to be complete or to describe all of the material terms. Investors in the Offered Securities should obtain a copy of the Form Approved Synthetic Security from the Initial Purchaser or the Trustee and carefully review its terms.

Subsequent to the Closing Date the Issuer may amend the terms of the 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 above.

For purposes of the Coverage Tests, unless otherwise specified, a Synthetic Security shall be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation.

For purposes of the Collateral Quality Tests other than the Correlation Test and for purposes of 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, 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 Defeased Synthetic Security, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation.

For purposes of the Correlation Test, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation (and the issuer thereof will be deemed to be the related Reference Obligor and not the Synthetic Security Counterparty).

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 Initial Synthetic Security Counterparty

The information appearing in this section has been prepared by the initial Synthetic Security Counterparty and has not been independently verified by the Co-Issuers, the Collateral Manager, the Trustee or the Initial Purchaser. Accordingly, notwithstanding anything to the contrary herein, none of the Co-Issuers, the Collateral Manager, the Trustee, or the Initial Purchaser assume any responsibility for the accuracy, completeness or applicability of such information. The initial Synthetic Security Counterparty accepts responsibility only for the information contained in the following three paragraphs.

The initial Synthetic Security Counterparty 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. It is a wholly owned indirect subsidiary of Merrill Lynch & Co. ("ML&Co."). MLI does not publish financial statements. The payment obligations of MLI under the 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 Offering Circular is delivered, on written request of such person, a copy (without exhibits) of any or all such documents so filed since December 1, 2000. Requests for such copies should be directed to the Corporate Secretary, Merrill Lynch & Co., Inc., 222 Broadway, New York, NY 10038, telephone (212) 670-0432.

The Collateral Quality Tests

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

Correlation Test. The "Correlation Test" will be satisfied on any Measurement Date if the Correlation Percentage (calculated based on a model that assumes 60 separate obligors or such other number of obligors as the Collateral Manager on behalf of the Issuer may agree with Moody's) on such Measurement Date (rounded to the nearest whole number) is equal to or less than 20%. The "Correlation Percentage" is a percentage determined in accordance with any of the one or more asset correlation methodologies provided from time to time to the Collateral Manager and the Trustee by Moody's as selected by the Collateral Manager in its sole discretion; *provided* that the Collateral Manager shall give reasonably detailed instructions to the Trustee based on consultations between the Trustee, the Collateral Manager and Moody's as to the application of such methodology.

Moody's Maximum Rating Distribution Test. The "Moody's Maximum Rating Distribution Test" will be satisfied on any Measurement Date if the Moody's Maximum Rating Distribution of the Pledged Collateral Debt Securities as of such Measurement Date is equal to or less than 800. The "Moody's Maximum Rating Distribution" on any Measurement Date is the number determined by dividing (i) the summation of the series of products obtained for any Pledged Collateral Debt Security that is not a Defaulted Security or Deferred Interest PIK Bond, 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 Defaulted 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
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 does not have a Moody's Rating and no other security or obligation of the issuer thereof or obligor thereon is rated by Moody's and the Issuer requests an estimate of a Moody's Rating Factor from Moody's, then the Moody's Rating Factor of such Collateral Debt Security will be deemed to be such estimate of the Moody's Rating Factor assigned by Moody's; and
- (b) With respect to any Synthetic Security or Deemed Floating Rate Security, the Moody's Rating Factor shall be determined as specified by Moody's at the time such Synthetic Security or Deemed Floating Rate 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.

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

- (i) if such Collateral Debt Security is publicly rated by Moody's, the Moody's Rating shall be such rating, or, if such Collateral Debt Security is not publicly rated by Moody's, but the Issuer has requested that Moody's assign a rating to such Collateral Debt Security, the Moody's Rating shall be the rating so assigned by Moody's;
- (ii) with respect to any Asset-Backed Security, if such Asset-Backed Security is not rated by Moody's, then the Moody's Rating of such Asset-Backed Security may be determined using any one of the methods below:
 - (A) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class A-1 on the Table of Moody's Asset Classes attached hereto as Schedule E, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA" to "AA-"; (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "A" to "BBB-"; and (3) three rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-"
 - (B) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class A-2 on the Table of Moody's Asset Classes attached hereto as Schedule E, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA" to "AA-"; (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "A+" to "BBB-"; and (3) four rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";
 - (C) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class B on the Table of Moody's Asset Classes attached hereto as Schedule E, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) two subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA" to "AA-"; (2) three rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "A+" to "BBB-"; and (3) four rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";
 - (D) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class D on the Table of Moody's Asset Classes attached hereto as Schedule E, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "BBB-" or greater and (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";
 - (E) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class E on the Table of Moody's Asset Classes attached hereto as Schedule E, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) two subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "BBB-" or greater and (2) three rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";
 - (F) (x) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class F on the Table of Moody's Asset Classes attached hereto as Schedule E, if such Asset-Backed Security is

publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA"; (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AA+" to "BBB-"; and (3) three rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-"; and

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

(G) with respect to any CMBS Conduit Security or CMBS Credit Tenant Lease Security not publicly rated by Moody's, (1) if Moody's has rated a tranche or class in the relevant Issue and Standard & Poor's or Fitch has rated the subject CMBS Conduit Security or CMBS Credit Tenant Lease Security, then the Moody's Rating thereof shall be one and one-half rating subcategories below the Moody's rating equivalent of the lower of the ratings assigned by Standard & Poor's or Fitch and (2) if Moody's has not rated any such tranche or class and Standard & Poor's and Fitch have rated the subject CMBS Conduit Security or CMBS Credit Tenant Lease Security, then the Moody's Rating thereof will be two rating subcategories below the Moody's rating equivalent of the lower of the ratings assigned by Standard & Poor's or Fitch; and

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

(iii) with respect to Guaranteed Debt Securities, if the related corporate guarantees are not publicly rated by Moody's but another security or obligation of the guarantor or obligor (for purposes of this clause (iii) (an "other security") is publicly rated by Moody's, and no rating has been assigned in accordance with clause (i), the Moody's Rating of such Guaranteed Debt Security shall be determined as follows:

(A) if the corporate guarantee is a senior secured obligation of the guarantor or obligor and the other security is also a senior secured obligation, the Moody's Rating of such Guaranteed Debt Security shall be the rating of the other security;

(B) if the corporate guarantee is a senior unsecured obligation of the guarantor or obligor and the other security is a senior secured obligation, the Moody's Rating of such Guaranteed Debt Security shall be one rating subcategory below the rating of the other security;

(C) if the corporate guarantee is a subordinated obligation of the guarantor or obligor and the other security is a senior secured obligation that is:

(1) rated "Ba3" or higher by Moody's, the Moody's Rating of such Guaranteed Debt Security shall be three rating subcategories below the rating of the other security; or

(2) rated "B1" or lower by Moody's, the Moody's Rating of such Guaranteed Debt Security shall be two rating subcategories below the rating of the other security;

(D) if the corporate guarantee is a senior secured obligation of the guarantor or obligor and the other security is a senior unsecured obligation that is:

(1) rated "Baa3" or higher by Moody's, the Moody's Rating of such Guaranteed Debt Security shall be the rating of the other security; or

- (2) rated "Ba1" or lower by Moody's, the Moody's Rating of such Guaranteed Debt Security shall be one rating subcategory above the rating of the other security;
- (E) if the corporate guarantee in respect of such Guaranteed Debt Security is a senior unsecured obligation of the guarantor or obligor and the other security is also a senior unsecured obligation, the Moody's Rating of such Guaranteed Debt Security shall be the rating of the other security;
- (F) if the corporate guarantee is a subordinated obligation of the guarantor or obligor and the other security is a senior unsecured obligation that is:
 - (1) rated "B1" or higher by Moody's, the Moody's Rating of such Guaranteed Debt Security shall be two rating subcategories below the rating of the other security; or
 - (2) rated "B2" or lower by Moody's, the Moody's Rating of such Guaranteed Debt Security shall be one rating subcategory below the rating of the other security;
- (G) if the corporate guarantee is a senior secured obligation of the guarantor or obligor and the other security is a subordinated obligation that is:
 - (1) rated "Baa3" or higher by Moody's, the Moody's Rating of such Guaranteed Debt Security shall be one rating subcategory above the rating of the other security;
 - (2) rated below "Baa3" but not rated "B3" by Moody's, the Moody's Rating of such Guaranteed Debt Security shall be two rating subcategories above the rating of the other security;
 - (3) rated "B3" by Moody's, the Moody's Rating of such Guaranteed Debt Security shall be "B2";
- (H) if the corporate guarantee is a senior unsecured obligation of the guarantor or obligor and the other security is a subordinated obligation that is:
 - (1) rated "Baa3" or higher by Moody's, the Moody's Rating of such Guaranteed Debt Security shall be one rating subcategory above the rating of the other security; or
 - (2) rated "Ba1" or lower by Moody's, the Moody's Rating of such Guaranteed Debt Security shall also be one rating subcategory above the rating of the other security; and
- (I) if the Guaranteed Debt Security is a subordinated obligation of the guarantor or obligor and the other security is also a subordinated obligation, the Moody's Rating of such Guaranteed Debt Security shall be the rating of the other security;
- (iv) with respect to Guaranteed Debt Securities the related corporate guarantees with respect to which are issued by U.S., U.K. or Canadian guarantors or by any other Qualifying Foreign Obligor, if such corporate guarantee is not publicly rated by Moody's, and no other security or obligation of the guarantor is rated by Moody's, then the Moody's Rating of such Guaranteed Debt Security may be determined using any one of the methods below:
 - (A) (1) if such corporate guarantee is publicly rated by Standard & Poor's, then the Moody's Rating of such Guaranteed Debt Security will be (x) one rating subcategory below the Moody's equivalent of the rating assigned by Standard & Poor's if such security is rated "BBB-" or higher by Standard & Poor's and (y) two subcategories below the Moody's equivalent of the rating assigned by Standard & Poor's if such security is rated "BB+" or lower by Standard & Poor's; and
 - (2) if such corporate guarantee is not publicly rated by Standard & Poor's but another security or obligation of the guarantor is publicly rated by Standard & Poor's (for purposes of this subclause (2) (a "parallel security"), then the Moody's equivalent of the rating of such parallel security will be

determined in accordance with the methodology set forth in subclause (1) above, and the Moody's Rating of such Guaranteed Debt Security will be determined in accordance with the methodology set forth in clause (iii) above (for such purpose treating the parallel security as if it were rated by Moody's at the rating determined pursuant to this subclause (2));

- (B) if such corporate guarantee is not publicly rated by Moody's or Standard & Poor's, and no other security or obligation of the guarantor is publicly rated by Moody's or Standard & Poor's, then the Issuer may present such corporate guarantee to Moody's for an estimate of such Guaranteed Debt Security's rating factor, from which its corresponding Moody's rating may be determined, which shall be its Moody's Rating;
- (C) with respect to a corporate guarantee issued by a U.S. corporation, if (1) neither the guarantor nor any of its affiliates is subject to reorganization or bankruptcy proceedings, (2) no debt securities or obligations of the guarantor are in default, (3) neither the guarantor nor any of its affiliates have defaulted on any debt during the past two years, (4) the guarantor has been in existence for the past five years, (5) the guarantor is current on any cumulative dividends, (6) the fixed-charge ratio for the guarantor exceeds 125% for each of the past two fiscal years and for the most recent quarter, (7) the guarantor had a net annual profit before tax in the past fiscal year and the most recent quarter and (8) the annual financial statements of the guarantor are unqualified and certified by a firm of independent accountants of national reputation, and quarterly statements are unaudited but signed by a corporate officer, the Moody's Rating of such Guaranteed Debt Security will be "B3";
- (D) with respect to a corporate guarantee issued by a non-U.S. guarantor, if (1) neither the guarantor nor any of its affiliates is subject to reorganization or bankruptcy proceedings and (2) no debt security or obligation of the guarantor has been in default during the past two years, the Moody's Rating of such Guaranteed Debt Security will be "Caa2"; and
- (E) if a debt security or obligation of the guarantor has been in default during the past two years, the Moody's Rating of such Guaranteed Debt Security will be "Ca";

provided that:

- (v) the rating of any rating agency used to determine the Moody's Rating pursuant to any of clauses (i), (ii), (iii) or (iv) above shall be a public rating (and not an estimated rating) that addresses the obligation of the obligor (or guarantor, where applicable) to pay principal of and interest on the relevant Collateral Debt Security in full and is monitored on an ongoing basis by the relevant rating agency;
- (w) in respect of Collateral Debt Securities the Moody's Rating of which is based on a rating of another rating agency (1) if such Collateral Debt Securities are rated by both Standard & Poor's and Fitch, the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 20% of the aggregate Principal Balance of all Collateral Debt Securities; (2) if such Collateral Debt Securities are rated by either of the other rating agencies (but not both), the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 10% of the aggregate Principal Balance of all Collateral Debt Securities; and (3) if such Collateral Debt Securities are rated by the same rating agency (and no other rating agency), the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 7.5% of the aggregate Principal Balance of all Collateral Debt Securities;
- (x) with respect to any Synthetic Security, the Moody's Rating thereof will be the rating of the Reference Obligation or will be determined as specified by Moody's at the time such Synthetic Security is acquired;
- (y) (A) if a Collateral Debt Security rated "Aa1" or below is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be "Aaa" if such Collateral Debt Security is rated "Aa1," and otherwise shall be two rating subcategories above the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list, (B) if a Collateral Debt Security rated "Aa1" or below is placed on a watch list for possible downgrade by

Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be two rating subcategories below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list and (C) if a Collateral Debt Security rated "Aaa" is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be one rating subcategory below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list; and

- (z) with respect to any Form Approved Synthetic Security, the Moody's Rating shall be the Moody's Rating that would be applicable to the related Reference Obligation if determined in accordance with the foregoing.

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

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

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

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

- (iii) if such Collateral Debt Security is a Collateral Debt Security that has not been assigned a rating by Standard & Poor's pursuant to clause (i) or (ii) above, and is not of a type listed on Schedule D, the Standard & Poor's Rating of such Collateral Debt Security shall be the rating determined in accordance with Schedule E; *provided* that (x) if any Collateral Debt Security shall be on watch for a possible upgrade or downgrade by either Moody's or Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be one subcategory above or below, respectively, the rating otherwise assigned to such Collateral Debt Security in accordance with Schedule D; and (y) that the aggregate Principal Balance of all Collateral Debt Securities that are assigned a Standard & Poor's Rating pursuant to this clause (iii) may not (1) exceed 20% of the aggregate Principal Balance of all Collateral Debt Securities if such Collateral Debt Securities are rated by both Moody's and Fitch and (2) exceed 7.5% of the aggregate Principal Balance of all Collateral Debt Securities if such Collateral Debt Securities are rated by either of the other Rating Agencies (but not both);

- (II) if such Collateral Debt Security does not have a Standard & Poor's rating and is a Guaranteed Debt Security (or, in the case of (iii) below, a Synthetic Security the Reference Obligation of which is a Guaranteed Debt Security):

- (i) if there is an issuer credit rating of the guarantor that unconditionally and irrevocably guarantees (with such form of guarantee satisfying Standard & Poor's then-published criteria with respect to guarantees) the full payment of principal and interest on such Collateral Debt Security, then the Standard & Poor's Rating of such Guaranteed Debt Security shall be the issuer credit rating of such guarantor assigned by Standard &

Poor's (regardless of whether there is a published rating by Standard & Poor's on the Collateral Debt Security held by the Issuer);

- (ii) if there is no issuer credit rating of a guarantor of such Guaranteed Security, but a security or obligation of a guarantor of such Guaranteed Debt Security is rated by Standard & Poor's, then the Standard & Poor's Rating of such Guaranteed Debt Security shall be determined as follows: (A) if there is a rating by Standard & Poor's on a senior secured obligation of the guarantor, then the Standard & Poor's Rating of such Guaranteed Debt Security shall be one subcategory below such rating; (B) if there is a rating on a senior unsecured obligation of the guarantor by Standard & Poor's, then the Standard & Poor's Rating of such Guaranteed Debt Security shall equal such rating; and (C) if there is a rating on a subordinated obligation of the guarantor by Standard & Poor's, then the Standard & Poor's Rating of such Guaranteed Debt Security shall be one subcategory above such rating;

- (iii) if there is no issuer credit rating for the guarantor published by Standard & Poor's and such Guaranteed Debt Security is not rated by Standard & Poor's, and no other security or obligation of the guarantor is rated by Standard & Poor's and if such Guaranteed Debt Security is publicly rated by Moody's, then the Standard & Poor's Rating of such Guaranteed Debt Security will be (1) one subcategory below the Standard & Poor's equivalent of the rating assigned by Moody's if such Guaranteed Debt Security is rated "Baa3" or higher by Moody's and (2) two subcategories below the Standard & Poor's equivalent of the rating assigned by Moody's if such Guaranteed Debt Security is rated "Ba1" or lower by Moody's; *provided* that (x) no Synthetic Security or Guaranteed Debt Security issued by an Emerging Market Issuer may be deemed to have a Standard & Poor's Rating based on a Moody's Rating and (y) the aggregate Principal Balance of all Collateral Debt Securities that are assigned a Standard & Poor's Rating based on a rating assigned by Moody's as provided in this subclause (A) and clause (iii) of paragraph (II) above may not exceed 10% of the aggregate Principal Balance of all Collateral Debt Securities; or

- (III) if such Collateral Debt Security is a Synthetic Security:

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

- (ii) if such Synthetic Security is not rated by Standard & Poor's, the Issuer or the Collateral Manager shall request that Standard & Poor's assign a credit estimate in connection with the acquisition thereof to such Synthetic Security and the Standard & Poor's Rating shall be the credit estimate so assigned by Standard & Poor's.

- (IV) if such Collateral Debt Security is a Form Approved Synthetic Security, the Standard & Poor's Rating will be determined based upon the Standard & Poor's Rating of the related Reference Obligation as determined in accordance with sub-clauses (II)(i) and II(ii) above.

Moody's Minimum Weighted Average Recovery Rate Test. The "Moody's Minimum Weighted Average Recovery Rate Test" will be satisfied as of any Measurement Date on or after the Ramp-Up Completion Date if the Moody's Weighted Average Recovery Rate as of such Measurement Date is greater than or equal to 11.5%.

The "Moody's Weighted Average Recovery Rate" is the number (expressed as a percentage rounded up to the first decimal place) obtained by (a) summing the products obtained by multiplying the Principal Balance of each Pledged Collateral Debt Security other than a Defaulted Security 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.

Weighted Average Coupon Test. The "Weighted Average Coupon Test" means a test that is satisfied on any Measurement Date if the Weighted Average Coupon as of such Measurement Date is equal to or greater than 5.0% on the Closing Date and any Measurement Date thereafter.

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 on each Pledged Collateral Debt Security that is a Fixed Rate Security (other than a Defaulted Security or Deferred Interest PIK Bond) by (y) the Principal Balance of each such Pledged Collateral Debt Security and (ii) dividing such sum by the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Fixed Rate Securities (excluding all Defaulted Securities and Deferred Interest PIK Bonds) 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, and if none, zero. For purposes of this definition, (i) no contingent payment of interest will be included in such calculation and (ii) any Collateral Debt Security for which the rating assigned by Moody's is not applicable to the ultimate payment of interest thereon shall be excluded in such calculation.

The "Fixed Rate Excess" as of any Measurement Date will equal a fraction (expressed as a percentage) the numerator of which is equal to the product of (a) the greater of zero and the excess, if any, of the Weighted Average Coupon for such Measurement Date over 5.0% and (b) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Fixed Rate Securities (excluding Defaulted Securities and Deferred Interest PIK Bonds) 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 and Deferred Interest PIK Bonds).

Weighted Average Spread Test. The "Weighted Average Spread Test" will be satisfied on any Measurement Date if the Weighted Average Spread as of such Measurement Date is greater than or equal to 3.80% on the Ramp-Up Completion Date and on any Measurement Date thereafter (and 3.00% on the Ramp-Up Test Date).

The "Weighted Average Spread" means, as of any Measurement Date, the sum (rounded up to the next 0.001%) of (a) the number obtained by (i) summing the products obtained by multiplying (x) the Current Spread with respect to each Pledged Collateral Debt Security that is a Floating Rate Security or 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 Collateral Debt Security as of such date, and (ii) dividing such sum by the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Floating Rate Securities or Deemed Floating 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 Spread Test," the Fixed Rate Excess, if any, as of such Measurement Date. For purposes of this definition, (1) no contingent payment of interest will be included in such calculation and (2) in the case of any Floating Rate Security that does not bear interest at a rate expressly stated as a spread above LIBOR, the interest rate payable on such Floating Rate Security on any Measurement Date shall be calculated as a spread above or below LIBOR, and if on such Measurement Date such rate is calculated as a spread below LIBOR, such spread shall be expressed as a negative number for purposes of making the calculation described in clause (a)(i) of the preceding sentence, and (3) any Collateral Debt Security for which the rating assigned by Moody's is not applicable to the ultimate payment of interest thereon shall be excluded in such calculation.

The "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 3.80% 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 and Deferred Interest PIK Bonds) and the denominator of which is the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Fixed Rate Securities (excluding Defaulted Securities and Deferred Interest PIK Bonds).

Weighted Average Life Test. The "Weighted Average Life Test" will be satisfied on any Measurement Date if the Weighted Average Life of all Pledged Collateral Debt Securities as of such Measurement Date is less than or equal to 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)
On the Closing Date	7.0
Thereafter to and including February 14, 2007	6.5
Thereafter to and including February 14, 2008	6.0
Thereafter	5.5

On any Measurement Date or other date of calculation 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 Collateral Debt Security by (b) the outstanding Principal Balance of such Collateral Debt Security and (ii) dividing such sum by the aggregate Principal Balance at such time of all such Collateral Debt Securities. On any Measurement Date or other date of calculation with respect to any Pledged Collateral Debt Security or 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 or other date to the respective dates of each subsequent scheduled distribution of principal of such Collateral Debt Security or security and (b) the respective amounts of principal of such scheduled distributions by (ii) the sum of all subsequent scheduled distributions of principal on such Collateral Debt Security or security (as determined by the Collateral Manager).

Standard & Poor's Minimum Recovery Rate Test. The "Standard & Poor's Minimum Recovery Rate Test" will be satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Standard & Poor's Recovery Rate as of such Measurement Date is equal to or greater than (a) 19.0% with respect to the Class A Notes, (b) 21.5% with respect to the Class B Notes, (c) 21.5% with respect to the Class C Notes, (d) 24.0% with respect to the Class D Notes, or (e) 34.0% with respect to the Class E 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 Defaulted Security or Deferred Interest PIK Bond 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, each Hedge Counterparty, the Cashflow Swap 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 sale of a Collateral Debt Security or the purchase of a Collateral Debt Security (or both), as the case may be, on such Measurement Date if each of the Class A-1S Note Loss Differential, the Class A-1J Note Loss Differential, the Class A-2 Note Loss Differential, the Class B Note Loss Differential, the Class C Note Loss Differential, the Class D Note Loss Differential or the Class E Note Loss Differential of the Proposed Portfolio is positive or if any of the Class A-1S Note Loss Differential, the Class A-1J Note Loss Differential, the Class A-2 Note Loss Differential, the Class B Note Loss Differential, the Class C Note Loss Differential, the Class D Note Loss Differential or the Class E Note 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 sale or purchase of a Collateral Debt Security.

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

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

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

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

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

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

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

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

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

The "Class B Note Break-Even Loss Rate" means, with respect to the Class B Notes, at any time, the maximum percentage of defaults (as determined by Standard & Poor's through application of the Standard & Poor's CDO Monitor) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain such that, after giving effect to Standard & Poor's assumptions on recoveries and timing and to the Priority of Payments, will result in

sufficient funds remaining for the ultimate payment of principal of and interest on the Class B Notes in full by their Stated Maturity and the timely payment of interest on the Class B Notes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The "Weighted Average Purchase Price" means, as of any date of determination, a fraction (expressed as a percentage) obtained by (a) multiplying the Principal Balance of each such Collateral Debt Security acquired by the Issuer after the Closing Date by the purchase price (expressed as a percentage of par) paid by the Issuer to acquire such Collateral Debt Security (such price to be determined exclusive of any payment in respect of accrued interest or fees), (b) summing the amounts determined pursuant to clause (a) for all such Collateral Debt Securities and (c) dividing such sum by the aggregate Principal Balance of all such Collateral Debt Securities.

The Standard & Poor's CDO Monitor calculates the cumulative default rate of a pool of Collateral Debt Securities consistent with a specified benchmark rating level based upon Standard & Poor's proprietary corporate debt default studies. In calculating the Class A-1S Note Scenario Default Rate, the Class A-1J Note Scenario Default Rate, Class A-2 Note Scenario Default Rate, the Class B Note Scenario Default Rate, the Class C Note Scenario Default Rate, the Class D Note Scenario Default Rate and the Class E Note Scenario Default Rate, the Standard & Poor's CDO Monitor considers each obligor's most senior unsecured debt rating, the number of obligors in the portfolio, the obligor and industry concentration in the portfolio and the remaining weighted average maturity of the Collateral Debt Securities and calculates a cumulative default rate based on the statistical probability of distributions of defaults on the Collateral Debt Securities.

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

Dispositions of Collateral Debt Securities

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

(i) may sell any Defaulted Security (or in the case of a Defaulted Synthetic Security, exercise its right to terminate) or any Deferred Interest PIK Bond at any time; *provided* that the Collateral Manager shall use its reasonable best efforts to direct the Issuer to sell any Defaulted Security (or in the case of a Defaulted Synthetic

Security, exercise its right to terminate), within three years after such security becomes a Defaulted Security (or within three years after such Defaulted Security may first be sold);

(ii) may sell any Credit Risk Security (or in the case of a Synthetic Security that is a Credit Risk Security, exercise its right to terminate) at any time *provided*, that during the Substitution Period, following the sale of a Credit Risk Security, the Collateral Manager may purchase, no later than 30 Business Days after the sale of such Credit Risk Security, substitute Collateral Debt Securities with an aggregate Principal Balance not less than the Sale Proceeds (other than accrued interest treated as Interest Proceeds included therein) from such sale in compliance with the Eligibility Criteria (other than the requirement of clause (31) thereof relating to the Standard & Poor's CDO Monitor Test); *provided*, further, that the Collateral Manager may choose not to apply such Sale Proceeds to purchase any substitute Collateral Debt Securities;

(iii) may sell any Credit Improved Security (or in the case of a Synthetic Security that is a Credit Improved Security, exercise its right to terminate) at any time, *provided* that (A) during the Substitution Period, such Credit Improved Security may be sold only if, in the Collateral Manager's sole judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), the resulting Sale Proceeds therefrom (net of any accrued interest treated as Interest Proceeds included therein) will be (i) equal to or greater than the Principal Balance of the Credit Improved Security being sold or (ii) reinvested in compliance with the Eligibility Criteria within 15 Business Days after the sale of such Credit Improved Security in one or more substitute Collateral Debt Securities having an aggregate Principal Balance at least equal to 100% of the Principal Balance of such Credit Improved Security, (B) after the last day of the Substitution Period, such Credit Improved Security may be sold only 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) as of the date the Collateral Manager committed to sell such Credit Improved Security, the Sale Proceeds (net of any accrued interest treated as Interest Proceeds included therein) from the sale of such Credit Improved Security will be equal to or greater than the Principal Balance of the Credit Improved Security being sold; and (C) the Collateral Manager determines, taking into account any factors it deems relevant, that such sale and related purchases, if any, will, in the Collateral Manager's sole judgment (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: an improvement in one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test, an improvement in the credit quality of the portfolio, a narrowing of interest rate mismatches or any other improvement which, in the Collateral Manager's sole judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), would result in a benefit to the Issuer (and, in each case, without adversely affecting one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test; *provided* that, even if the level of compliance is reduced, continued compliance shall not be deemed to be an adverse effect); *provided*, further, that any determination of whether the extent of non-compliance with any of the Eligibility Criteria may not be made worse by such sale and/or reinvestment shall be made by comparing the Collateral Debt Securities held by the Issuer immediately prior to the sale of such Credit Improved Security to the Collateral Debt Securities held by the Issuer immediately after such sale and/or reinvestment;

(iv) may sell any Collateral Debt Security that is not an Equity Security, a Defaulted Security, Deferred Interest PIK Bond, Credit Risk Security or Credit Improved Security (or in the case of a Synthetic Security, exercise its right to terminate) during the Substitution Period (each, a "Discretionary Sale"), *provided* that no Event of Default has occurred and is continuing and, in the Collateral Manager's sole judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), the resulting Sale Proceeds therefrom (net of any accrued interest treated as Interest Proceeds included therein) will be equal to or greater than the Principal Balance of the Collateral Debt Securities being sold, but only if: (A) after the Ramp-Up Completion Date, the aggregate Principal Balance of all such Collateral Debt Securities sold pursuant to this clause (iv) during (a) the period from and including the Ramp-Up Completion Date to and including December 31, 2006 does not exceed the Discretionary Sale Percentage, (b) any calendar year thereafter ending on or prior to December 31, 2008 does not exceed the Discretionary Sale Percentage and (c) the period from and including January 1, 2009 to and including February 14, 2009 does not exceed 12.5% of the Discretionary Sale Percentage, in each case, of the Net Outstanding Portfolio Collateral Balance as of the first day of such period; (B) Moody's has not withdrawn (and not reinstated) its rating (including any private or confidential rating), if any, of any Class of Notes or reduced any such rating below the rating in effect on the Closing Date by one or more rating subcategories (in the case of Notes other than the Class D Notes and the Class E Notes) or two or more rating subcategories (in the case of the Class D Notes and

the Class E Notes); (C) such sale occurs during the Substitution Period, (D) if the Collateral Manager elects to reinvest some or all of the Sale Proceeds (other than accrued interest treated as Interest Proceeds included therein) in Substitute Collateral Debt Securities, such Sale Proceeds (other than accrued interest treated as Interest Proceeds included therein) are reinvested within 15 Business Days after the date of such sale in substitute Collateral Debt Securities that (1) have an aggregate Principal Balance at least equal to the portion of the Principal Balance of the Collateral Debt Security sold that is represented by Sale Proceeds that are being reinvested pursuant to this clause (iv), (2) have been assigned a Moody's Rating and a Standard & Poor's Rating at least equal to the Moody's Rating and the Standard & Poor's Rating assigned to the Collateral Debt Security being sold on the date such Collateral Debt Security was acquired by the Issuer, or the date the Issuer so committed to acquire it, as the case may be, and (3) are of the same Specified Type as such Pledged Collateral Debt Security, or if such Pledged Collateral Debt Security is a Synthetic Security, the Sale Proceeds (other than accrued interest treated as Interest Proceeds included therein) of such Pledged Collateral Debt Security are reinvested in substitute Synthetic Securities the Reference Obligations of which are of the same Specified Type as the Reference Obligation of such Synthetic Security, and (E) the Collateral Manager determines, taking into account any factors it deems relevant, that such sales and any related purchases or substitutions will, in the Collateral Manager's sole judgment (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: an improvement in one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test (if applicable), an improvement in the credit quality of the portfolio, a narrowing of interest rate mismatches or any other improvement which, in the Collateral Manager's sole judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), would result in a benefit to the Issuer (and, in each case, without adversely affecting one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test (if applicable); *provided that*, even if the level of compliance is reduced, continued compliance shall not be deemed to be an adverse effect); *provided*, further, that any determination of whether the extent of non-compliance with any of the Eligibility Criteria may not be made worse by such sale and/or reinvestment shall be made by comparing the Collateral Debt Securities held by the Issuer immediately prior to the sale of such Collateral Debt Security to the Collateral Debt Securities held by the Issuer immediately after such sale and/or reinvestment;

(v) shall use its reasonable best efforts to sell each Equity Security or other security or consideration received by the Issuer in exchange for a Defaulted Security that is not Margin Stock and satisfies clauses (7), (8) and (10) of the Eligibility Criteria within one year after the related Collateral Debt Security became a Defaulted Security (or within one year after such later date as such Equity Security or other security or consideration may first be sold in accordance with its terms and applicable law);

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

(vii) shall sell any Deliverable Obligation that is a Defaulted Security and that does not satisfy clauses (7), (8) and (10) of the Eligibility Criteria not later than five Business Days after the Issuer's receipt thereof (or within five Business Days after such later date as such Defaulted Security may first be sold in accordance with its terms and applicable law); and

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

Any such disposition by the Issuer will be conducted on an "arm's-length basis" for fair market value.

The Issuer (at the direction of the Collateral Manager) may apply Interest Proceeds in the Interest Collection Account to pay a termination payment to a Synthetic Security Counterparty in connection with a disposition of the Synthetic Security, *provided that* the Collateral Manager certifies to the Trustee that each Interest Coverage Test is satisfied (taking into account such application of Interest Proceeds).

In the event of an Optional Redemption, Auction Call Redemption or a Tax Redemption, the Trustee (in consultation with the Collateral Manager) may sell Collateral Debt Securities, Eligible Investments and Equity

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

The Hedge Agreements; the Basis Swap; the Up Front Payment

The Issuer will not enter into a Hedge Agreement (other than the Basis Swap) on the Closing Date. After the Closing Date, the Issuer may enter into one or more interest rate swaps or caps (including fixed/floating rate swaps or "timing swaps") and also may enter into interest rate cap or swap agreements with respect to specific Collateral Debt Securities with one or more counterparties (each a "Hedge Counterparty"), each consisting of an ISDA Master Agreement and Schedule and one or more confirmations (each a "Hedge Agreement"). Under an interest rate cap, the Issuer will pay one or more fixed amounts to the applicable Hedge Counterparty in exchange for the Hedge Counterparty agreeing to pay to the Issuer interest on a specified notional amount at a rate equal to the excess, if any, of LIBOR over a fixed rate set forth in the Hedge Agreement. Under a timing swap, the Issuer will reduce the impact of the timing mismatches between the dates on which (and the periods for which) LIBOR is fixed for payments of interest on the Notes and the dates on which (and the periods for which) the London interbank offered rate is fixed for purposes of interest payments on the Collateral Debt Securities, by agreeing to make payments to the applicable Hedge Counterparty at the London interbank offered rate on a specified notional amount in exchange for the Hedge Counterparty agreeing to make payments to the Issuer at the London interbank offered rate on a specified notional amount, with the rates set on different dates and for different periods. Under a fixed/floating interest rate swap, the Issuer will pay a fixed rate of interest on a specified notional amount and the Hedge Counterparty will pay a rate equal to the London interbank offered rate on the same notional amount.

Any Hedge Agreement that hedges a Fixed Rate Security into a Floating Rate Security is referred to in the Indenture as a "Deemed Floating Rate Hedge Agreement." The hedged Collateral Debt Securities are referred to as "Deemed Floating Rate Securities."

Any Hedge Agreement that hedges a Floating Rate Security into a Fixed Rate Security is referred to in the Indenture as a "Deemed Fixed Rate Hedge Agreement." The hedged Collateral Debt Securities are referred to as "Deemed Fixed Rate Securities."

Any Hedge Agreement entered into after the Closing Date shall satisfy the Rating Condition with respect to Standard & Poor's as of the date thereof. The Issuer shall not, however, enter into any Hedge Agreement, the payments from which are subject to withholding tax or the entry into, performance or termination of which would subject the Issuer to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation. The initial Hedge Counterparty under any Hedge Agreement, if it is the same person as the Initial Cashflow Swap Counterparty, will be referred to as the "Initial Hedge Counterparty" and each other counterparty under any Hedge Agreement will be referred to as a "Hedge Counterparty." Pursuant to the Priority of Payments, scheduled payments required to be made by the Issuer under a Hedge Agreement, together with any termination payments payable by the Issuer other than by reason of an "event of default" or "termination event" (other than an "illegality" or "tax event") with respect to which a Hedge Counterparty is the sole "defaulting party" or the sole "affected party" (as each such term is defined in the relevant Hedge Agreement), will be payable pursuant to clause (4) under "Description of Notes--Priority of Payments—Interest Proceeds" and clause (1) under "Description of Notes--Priority of Payments—Principal Proceeds."

On the Closing Date, the Issuer will enter into a basis swap with an initial notional amount of \$145,000,000 (together with any replacement therefor, the "Basis Swap" with a counterparty (together with any permitted assignee or successor, the "Basis Swap Counterparty"). The initial Basis Swap Counterparty will be AIG Financial Products Corp. The Basis Swap will not hedge any of the interest rate risks to which the Issuer is exposed. The purpose of the Basis Swap is described in the Class A-1 Notes Supplement.

Pursuant to the confirmation under which the Issuer and the Basis Swap Counterparty will enter into the Basis Swap, the Basis Swap Counterparty will make a payment on the Closing Date to the Issuer of U.S.\$4,245,000 (the

"Up Front Payment"). Such Up Front Payment will be used by the Issuer for the purposes set forth in "Use of Proceeds." Pursuant to this confirmation, the Issuer will be required to make a payment to the Basis Swap Counterparty on each Quarterly Distribution Date in an amount specified in the confirmation, which will be sufficient for the Issuer to repay this Up Front Payment together with interest thereon. The Issuer's obligations to the Basis Swap Counterparty in respect of the Up Front Payment, together with interest thereon, and the other amounts due from the Issuer under the Basis Swap 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.

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

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

In respect of the Initial Hedge Counterparty, if such Initial Hedge Counterparty is the same person as the Initial Cashflow Swap Counterparty:

(i) if a Collateralization Event occurs, the Initial Hedge Counterparty and the Issuer shall enter into an agreement, solely at the expense of the Initial Hedge Counterparty, in the form of the ISDA Credit Support Annex attached as Annex B to each Hedge Agreement entered into with the Initial Hedge Counterparty; *provided* that, a Ratings Event will be deemed to have occurred if the Initial Hedge Counterparty has not, within 30 days following a Collateralization Event, (A) provided sufficient collateral as required under each Hedge Agreement to which it is a party, (B) found another Hedge Counterparty in accordance with clause (ii), (C) obtained a guarantor for the obligations of the Initial Hedge Counterparty under each Hedge Agreement to which it is a party who satisfies the Hedge Counterparty Ratings Requirement or (D) taken such other steps as each Rating Agency that has downgraded the Hedge Rating Determining Counterparty in respect of the Initial Hedge Counterparty or the Initial Hedge Counterparty, as the case may be, may require to cause the obligations of the Initial Hedge Counterparty under each Hedge Agreement to which it is a party to be treated by such Rating Agency as if such obligations were owed by a counterparty who satisfies the Hedge Counterparty Ratings Requirement;

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

(iii) at any time following a Collateralization Event, the Initial Hedge Counterparty may terminate any Hedge Agreement to which it is a party on any Quarterly Distribution Date; provided that (A) the Initial Hedge Counterparty has identified another Hedge Counterparty that satisfies the Hedge Counterparty Ratings Requirement and (B) entry into any replacement Hedge Agreement in connection with such termination satisfies the Rating Condition with respect to Standard & Poor's; and

(iv) following the occurrence of a Ratings Event, the Issuer may terminate any Hedge Agreement to which the Initial Hedge Counterparty is a party unless the Initial Hedge Counterparty has assigned its rights and obligations in accordance with the applicable Hedge Agreement and under such Hedge Agreement (at its own expense) to another Hedge Counterparty selected by the Issuer that has ratings at least equal to the Hedge Counterparty Ratings Requirement (A) in the case of a Ratings Event occurring as a result of a downgrade, withdrawal or suspension by Moody's, within 10 days following such Ratings Event occurring or, if the Issuer does not select another Hedge Counterparty within 10 days following such Ratings Event occurring, to a Hedge Counterparty selected by the Initial Hedge Counterparty within 20 days following the end of such 10 day period or (B) in the case of a Ratings Event occurring as a result of a downgrade, withdrawal or suspension from Standard & Poor's, as soon as practicable but in no event later than 10 Business Days following the occurrence of such Ratings Event occurring; *provided* that such assignment satisfies the Rating Condition with respect to Standard & Poor's.

The Trustee shall deposit all collateral received from each Hedge Counterparty under any Hedge Agreement in one or more securities account in the name of the Trustee, each of which will be designated a "Hedge Counterparty Collateral Account," which accounts will be maintained for the benefit of the Noteholders, the related Hedge Counterparty (or, in the case of any such Hedge Counterparty Collateral Account established with respect to the Basis Swap, the Holders of the Class A-1 Notes) and the Trustee.

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

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

"Hedge Rating Determining Party" means, with respect to any Hedge Counterparty, (a) unless the following clause (b) applies with respect to the related Hedge Agreement, the relevant Hedge Counterparty or any transferee thereof or (b) any Affiliate of the relevant Hedge Counterparty or any transferee thereof that unconditionally and absolutely guarantees (with such form of guarantee satisfying Standard & Poor's then-published criteria with respect to guarantees) the obligations of the relevant Hedge Counterparty or such transferee, as the case may be, under the related Hedge Agreement. For the purpose of this definition, no direct or indirect recourse against one or more

shareholders of the relevant 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 relevant Hedge Counterparty or any such transferee.

"Ratings Event" means, with respect to the Initial Hedge Counterparty, the occurrence of any of the following: (a) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A2," if its Hedge Rating Determining Party has a long-term rating only; (b) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A3" or the short-term senior unsecured debt rating of the Initial Hedge Counterparty or, if no such rating is available, its Hedge Rating Determining Party from Moody's, or if no such rating is available, a guaranteed affiliate thereof from Moody's, if so rated by Moody's, falls to or below "P-2"; or (c) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "BBB-."

"Ratings Threshold," means, with respect to any Hedge Counterparty (other than the Initial Hedge Counterparty), unless otherwise determined by the Rating Agencies, (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Hedge Rating Determining Party are rated at least "A-1" by Standard & Poor's or (ii) if its Hedge Rating Determining Party does not have a short-term rating from Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Hedge Rating Determining Party are rated at least "A+" by Standard & Poor's and (b)(i) the long-term senior unsecured debt rating of its Hedge Rating Determining Party is at least "A2" by Moody's, *provided* that the Ratings Threshold shall not be satisfied if such obligations are rated "A2" by Moody's and such rating is on watch for possible downgrade and (ii) (A) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Hedge Rating Determining Party are rated at least "P-2" by Moody's, *provided* that the Ratings Threshold shall not be satisfied if such obligations are rated "P-2" by Moody's and such rating is on watch for possible downgrade or (B) if there is no such short-term rating by Moody's, the long-term senior unsecured debt rating of its Hedge Rating Determining Party is at least "A1" by Moody's, *provided* that the Ratings Threshold shall not be satisfied if such obligations are rated "A1" by Moody's and such rating is on watch for possible downgrade.

Each Hedge Agreement will be subject to termination upon the earlier to occur of (a) an Event of Default followed by the liquidation of the Collateral in accordance with the Indenture and (b) any Optional Redemption, Auction Call Redemption or Tax Redemption and (c) amendment of the Indenture without the prior consent of the Hedge Counterparty (if so provided in the Hedge Agreement). The Basis Swap also will be subject to termination, in part (or in whole) at the time of each reduction in the outstanding principal amount of the Class A-1 Notes on or prior to May 14, 2014, provided that the Issuer may be required to pay a termination payment to the Basis Swap Counterparty (unless such reduction in the outstanding principal amount results from amortization or early redemption of the Collateral Debt Securities). As a result, the Issuer is expected to make a termination payment to the Basis Swap Counterparty on each Quarterly Distribution Date and upon any Optional Redemption or Tax Redemption of the Notes. The Issuer also will be required to pay a termination payment to the Basis Swap Counterparty if, at any time on or prior to May 14, 2014, any of the Class A-1 Notes cease to have the additional interest payment dates described in the Class A-1 Note Supplement and as a result are no longer subject to the Basis Swap.

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" (each as defined in the related Hedge Agreement) attributable to the Hedge Counterparty thereto, the Issuer and the Trustee shall take such actions (following the expiration of any applicable grace period and subject to the terms of the Indenture) 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 determining the amount payable under the terminated Hedge Agreement, the Issuer will seek quotations from reference market-makers that satisfy the Hedge Counterparty Ratings Requirement. In addition, the Issuer will use its best efforts to cause the termination of a Hedge Agreement to become effective simultaneously with the entry into a replacement Hedge Agreement described as aforesaid. Notwithstanding the foregoing, if a Hedge Agreement becomes subject to early

termination (a "Subordinated Hedge Termination Event") due to the occurrence of an "event of default" or a "termination event" (each as defined in the related Hedge Agreement) attributable to the Hedge Counterparty thereto (other than an "illegality" or "tax event," each as defined in the relevant Hedge Agreement), the Issuer agrees not to exercise its right to terminate the relevant Hedge Agreement unless (i) no amounts would be owed by the Issuer to such Hedge Counterparty as a result of such termination (or the Issuer certifies to such Hedge Counterparty that the funds available on the next Quarterly Distribution Date will be sufficient to pay such termination payment) or (ii) at the option of the Issuer, such Hedge Counterparty shall be required to assign its rights and obligations under the relevant Hedge Agreement and all transactions thereunder at no cost to the Issuer (*provided* that that such Hedge Counterparty shall pay the Issuer's expenses in connection therewith, including legal fees) to a party selected by the Issuer (with the assistance of the Hedge Counterparty, which assistance will not be unreasonably withheld) that has ratings at least equal to the Hedge Counterparty Ratings Requirement (the "Subordinated Termination Substitute Party") (x) in the case of the occurrence of an "event of default" or a "termination event" (each as defined in the relevant Hedge Agreement) attributable to such Hedge Counterparty other than a downgrade, withdrawal or suspension from Standard & Poor's within 30 days following the selection of a Subordinated Termination Substitute Party by the relevant Hedge Counterparty or (y) in the case of a the occurrence of an "event of default" or a "termination event" (each as defined in the relevant Hedge Agreement) attributable to such Hedge Counterparty that is a downgrade, withdrawal or suspension from Standard & Poor's as soon as practicable but in no event later than 10 Business Days following such downgrade, withdrawal or suspension from Standard & Poor's; *provided* that such an assignment will not comply with this provision unless such assignment or replacement satisfies the Rating Condition with respect to Standard & Poor's and payment has been made to such Hedge Counterparty by the Subordinated Termination Substitute Party of an amount payable under the terminated Hedge Agreement based on quotations from reference market-makers, such payment, for the avoidance of doubt, in full satisfaction of all termination payments due and payable by the Issuer in connection with such termination (for the avoidance of doubt, other than unpaid amounts).

Amounts payable upon any such termination or reduction will be based substantially upon the standard replacement transaction valuation methodology set forth in an ISDA Master Agreement published by the International Swaps and Derivatives Association, Inc. If any amount is payable by the Issuer to a Hedge Counterparty in connection with the occurrence of any such partial termination or notional amount reduction, such amount, together with interest on such amount for the period from and including the date of termination to but excluding the date of payment at a rate set forth in the relevant Hedge Agreement, shall be payable on such Quarterly Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments, and any amount not so paid on such Quarterly Distribution Date shall be payable on the first Quarterly Distribution Date on which such amount may be paid in accordance with the Priority of Payments.

No Deemed Floating Rate Hedge Agreement shall be subject to early termination other than by reason of (A) an event of default or termination event relating to the Issuer or the relevant Hedge Counterparty specified in Section 5 of the ISDA Master Agreement relating to such Hedge Agreement or in Part 1 of the Schedule thereto, (B) an event or condition analogous to any event or condition that would permit the Issuer under Section 12.1 of the Indenture to sell or otherwise dispose of the Fixed Rate Security that is the subject of such Deemed Floating Rate Hedge Agreement if such Fixed Rate Security were a Collateral Debt Security, or (C) the sale or disposition of the Fixed Rate Security pursuant to the Indenture; *provided* that following such sale or disposition, the related Deemed Floating Rate Hedge Agreement shall be terminated.

The Indenture will provide that, following a declaration of acceleration of the Notes pursuant to the "Events of Default" section above, the Issuer shall not terminate any Hedge Agreement in effect immediately prior to a declaration of acceleration unless the liquidation of the Collateral has begun and such declaration is no longer capable of being rescinded or annulled.

The obligations of the Issuer under each Hedge Agreement are limited recourse obligations payable solely from the Collateral pursuant to the Priority of Payments.

The Cashflow Swap Agreement

General

The Issuer will on the Closing Date enter into a Cashflow Swap Agreement with AIG Financial Products Corp. ("the Cashflow Swap Counterparty") pursuant to a separate confirmation under the same ISDA Master Agreement and Schedule under which the Basis Swap will be made (such agreement, and any replacement therefor entered into in accordance with the Indenture, the "Cashflow Swap Agreement"). See "The Cashflow Swap Counterparty" below.

The Cashflow Swap Agreement will provide that, on any Quarterly Distribution Date (so long as any Class A Notes, Class B-1 Notes, Class B-2 Notes or Class C Notes are outstanding), the Issuer will be entitled to require the Cashflow Swap Counterparty to make a payment under the Cashflow Swap Agreement of an amount equal to the lesser of (i) the excess of the full amount of interest and Commitment Fee (in the case of the Class A-1S Notes) payable on the Class A-1S Notes (or, if the Basis Swap is in effect, the gross amount payable by the Issuer to the Basis Swap Counterparty, without taking into account any netting provision), Class A-1J Notes (or, if the Basis Swap is in effect, the gross amount payable by the Issuer to the Basis Swap Counterparty, without taking into account any netting provision), Class A-2 Notes, Class B-1 Notes, Class B-2 Notes or Class C Notes pursuant to the Priority of Payments on such Quarterly Distribution Date (without regard to any limitation on such amount by reason of any lack of Interest Proceeds or Principal Proceeds) over the amount of Interest Proceeds and Principal Proceeds available on such Quarterly Distribution Date under the Priority of Payments (without regard to payments to be made under the Cashflow Swap Agreement) to make such payments (the "Interest Shortfall Amount") and (ii) the aggregate amount of all scheduled interest payments on any PIK Bonds that were, during the Due Period related to such Quarterly Distribution Date, deferred or paid "in-kind" in accordance with the terms of such PIK Bonds where such deferral or payment "in-kind" does not constitute an event of default pursuant to the Underlying Instruments (the "Deferred Interest PIK Amount") (which amount shall not include any amounts attributable to a Specified Deferred Interest PIK Bond or a Defaulted Security); *provided* that such amount shall not be greater than an amount that, when added to the sum of all prior payments made by the Cashflow Swap Counterparty minus the amount of all reimbursed payments (in each case, exclusive of any accrued interest) received from the Issuer, would exceed the Cashflow Swap Cap Amount. Any amount paid by the Cashflow Swap Counterparty under the Cashflow Swap Agreement and applied to payments of interest or Commitment Fee (in the case of the Class A-1S Notes) on (i) the Class A-1S Notes shall be a "Class A-1S Cashflow Swap Amount," (ii) the Class A-1J Notes shall be a "Class A-1J Cashflow Swap Amount," (iii) the Class A-2 Notes shall be a "Class A-2 Cashflow Swap Amount," (iv) the Class B-1 Notes shall be a "Class B-1 Cashflow Swap Amount" (v) the Class B-2 Notes shall be a "Class B-2 Cashflow Swap Amount" and (vi) the Class C Notes shall be a "Class C Cashflow Swap Amount."

"Cashflow Swap Cap Amount" means, as of any Quarterly Distribution Date, the lesser of (a) the sum of (i) the product of (A) the sum of the aggregate outstanding principal amount of the Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B-1 Notes and the Class C Notes on such date multiplied by (B) the sum of (1) 17% plus (2) the Cashflow Swap Weighted Average Spread multiplied by (C) 2 and (ii) the product of (A) the sum of the aggregate outstanding principal amount of the Class B-2 Notes on such date multiplied by (B) 5.58% multiplied by (C) 2 and (b) U.S.\$68,000,000.

"Cashflow Swap Weighted Average Spread" means, as of any Quarterly Distribution Date, the number obtained by (i) summing the products obtained by multiplying for each of the Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B-1 Notes and Class C Notes outstanding as of the related Determination Date (x) the stated spread above LIBOR as set forth in the Indenture (or the maximum spread of 1% in the case of the Class A-1 Notes) with respect to each such Class of Notes by (y) the aggregate outstanding principal amount of such Class of Notes as of the related Determination Date, and (ii) dividing such sum by the aggregate outstanding principal amount of all Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B-1 Notes and the Class C Notes.

Any amount drawn under the Cashflow Swap Agreement on any Quarterly Distribution Date will be repaid by the Issuer to the Cashflow Swap Counterparty, together with interest, on the next Quarterly Distribution Date on which Interest Proceeds or Principal Proceeds are available to make such repayment in accordance with the Priority of Payments. See "Description of the Notes—Priority of Payments." Interest will accrue on amounts drawn under the Cashflow Swap Agreement for the period from and including the date of drawing to but excluding the date of

repayment to the Cashflow Swap Counterparty, and on accrued interest not paid on any Quarterly Distribution Date, at a rate per annum (calculated using an Actual/360 Day Count Fraction) equal to, in the case of (i) any Class A-1S Cashflow Swap Amount, the rate of interest from time to time applicable to the Class A-1S Notes, (ii) any Class A-1J Cashflow Swap Amount, the rate of interest from time to time applicable to the Class A-1J Notes; (iii) any Class A-2 Cashflow Swap Amount, the rate of interest from time to time applicable to the Class A-2 Notes, (iv) any Class B-1 Cashflow Swap Amount, the rate of interest from time to time applicable to the Class B-1 Notes, (v) any Class B-2 Cashflow Swap Amount, the rate of interest from time to time applicable to the Class B-1 Notes and (vi) any Class C Cashflow Swap Amount, the rate of interest from time to time applicable to the Class C Notes. The obligations of the Issuer under the Cashflow Swap Agreement are limited recourse obligations payable solely from the Collateral pursuant to the Priority of Payments.

In order to induce the Cashflow Swap Counterparty to enter into the Cashflow Swap Agreement, the Issuer has agreed to pay the Cashflow Swap Counterparty on each Quarterly Distribution Date the Cashflow Swap Fee, which fee shall not exceed \$102,000 per annum.

"Cashflow Swap Fee" means for each Quarterly Distribution Date, an amount equal to the product of the Cashflow Swap Cap Amount and 0.15% per annum (calculated on the basis of a year of 360 days and the actual number of days elapsed).

The Cashflow Swap Agreement will provide that, in respect of the Cashflow Swap Counterparty (other than the Initial Cashflow Swap Counterparty), if: (x)(i) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Cashflow Swap Rating Determining Party are rated below "A1" by Moody's (or rated "A1" by Moody's and on watch for possible downgrade) and (ii) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Cashflow Swap Rating Determining Party are rated below "P-1" by Moody's or are rated "P-1" by Moody's and such rating is on watch for possible downgrade or (y) if its Cashflow Swap Rating Determining Party does not have a short-term rating from Moody's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Cashflow Swap Rating Determining Party are rated below "Aa3" by Moody's or are rated "Aa3" by Moody's and such rating is on watch for possible downgrade, then such Cashflow Swap Counterparty shall, within 30 Business Days of such ratings downgrade, enter into an agreement with the Issuer providing for the posting of collateral in an amount at all times equal to the excess of the Cashflow Swap Cap Amount over the Cashflow Swap Outstanding Payment Amount Balance, which agreement satisfies the Rating Condition.

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

The Cashflow Swap Agreement will provide that, in respect of the Initial Cashflow Swap Counterparty:

(i) if a Cashflow Swap Collateralization Event occurs, the Initial Cashflow Swap Counterparty and the Issuer shall enter into an agreement, solely at the expense of the Initial Cashflow Swap Counterparty, in the form of the ISDA Credit Support Annex attached to the Cashflow Swap Agreement entered into with the Initial Cashflow Swap Counterparty; *provided* that, a Cashflow Swap Ratings Event will be deemed to have occurred if the Initial Cashflow Swap Counterparty has not, within 30 days following a Cashflow Swap Collateralization Event, (A) provided sufficient collateral as required under the Cashflow Swap Agreement, (B) found another Cashflow Swap Counterparty in accordance with clause (ii), (C) obtained a guarantor for the obligations of the Initial Cashflow Swap Counterparty under the Cashflow Swap Agreement who satisfies the Cashflow Swap Counterparty Ratings

Requirement or (D) taken such other steps as each Rating Agency that has downgraded the Cashflow Swap Rating Determining Counterparty in respect of the Initial Cashflow Swap Counterparty or the Initial Cashflow Swap Counterparty, as the case may be, may require to cause the obligations of the Initial Cashflow Swap Counterparty under the Cashflow Swap Agreement to be treated by such Rating Agency as if such obligations were owed by a counterparty who satisfies the Cashflow Swap Counterparty Ratings Requirement;

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

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

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

The Trustee shall deposit all collateral received from the Cashflow Swap Counterparty under the Cashflow Swap Agreement in one or more securities account in the name of the Trustee, each of which will be designated a "Cashflow Swap Counterparty Collateral Account," which accounts will be maintained for the benefit of the Noteholders, the Cashflow Swap Counterparty and the Trustee.

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

"Cashflow Swap Counterparty Ratings Requirement" means, with respect to any Cashflow Swap Counterparty or any permitted transferee thereof, (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Cashflow Swap Rating Determining Party are rated at least "A-1" by Standard & Poor's, or (ii) if no short-term debt obligations of such Cashflow Swap Rating Determining Party are rated by Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Cashflow Swap Rating Determining Party are rated at least "A+" by Standard & Poor's and (b)(i)(x) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Cashflow Swap Rating Determining Party are rated "P-1"

by Moody's and such rating is not on watch for possible downgrade and (y) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Cashflow Swap Rating Determining Party are rated higher than "A1" by Moody's or are rated "A1" by Moody's and such rating is not on watch for possible downgrade or (ii) if there is no such Moody's short-term debt obligations rating, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Cashflow Swap Rating Determining Party are rated higher than "Aa3" by Moody's or are rated "Aa3" by Moody's and such rating is not on watch for possible downgrade.

"Cashflow Swap Outstanding Payment Amount Balance" means, as of any Quarterly Distribution Date, an amount equal to the sum of all Cashflow Swap Payments paid by the Cashflow Swap Counterparty prior to such Quarterly Distribution Date minus the amount of all Reimbursement Amounts paid by the Issuer prior to such Quarterly Distribution Date, exclusive of any accrued interest paid as part of such Reimbursement Amounts.

"Cashflow Swap Rating Determining Party" means with respect to the Cashflow Swap Counterparty, (a) unless the following clause (b) applies with respect to the Cashflow Swap Agreement, the Cashflow Swap Counterparty or any transferee thereof or (b) any Affiliate of the Cashflow Swap Counterparty or any transferee thereof that unconditionally and absolutely guarantees (with such form of guarantee satisfying Standard & Poor's then-published criteria with respect to guarantees) the obligations of the Cashflow Swap Counterparty or such transferee, as the case may be, under the Cashflow Swap Agreement. For the purpose of this definition, no direct or indirect recourse against one or more shareholders of the Cashflow Swap 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 Cashflow Swap Counterparty or any such transferee.

"Cashflow Swap Ratings Event" means, with respect to the Cashflow Swap Agreement entered into between the Issuer and the Initial Cashflow Swap Counterparty, the occurrence of any of the following: (a) the long-term senior unsecured debt rating of its Cashflow Swap Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A2," if its Cashflow Swap Rating Determining Party has a long-term rating only; (b) the long-term senior unsecured debt rating of its Cashflow Swap Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A3" or the short-term senior unsecured debt rating of the Initial Cashflow Swap Counterparty or, if no such rating is available, its Cashflow Swap Rating Determining Party from Moody's, or if no such rating is available, a guaranteed affiliate thereof from Moody's, if so rated by Moody's, falls to or below "P-2" or (c) the long-term senior unsecured debt rating of its Initial Cashflow Swap Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "BBB-".

"Cashflow Swap Ratings Threshold" means, with respect to any Cashflow Swap Counterparty (other than the Initial Cashflow Swap Counterparty), (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Cashflow Swap Rating Determining Party are rated at least "A-1" by Standard & Poor's or (ii) if its Cashflow Swap Rating Determining Party does not have a short-term rating from Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Cashflow Swap Rating Determining Party are rated at least "A+" by Standard & Poor's and (b) (i) the long-term senior unsecured debt rating of its Cashflow Swap Rating Determining Party is at least "A2" by Moody's, *provided* that the Cashflow Swap Ratings Threshold shall not be satisfied if such obligations are rated "A2" by Moody's and such rating is on watch for possible downgrade and (ii) (A) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Cashflow Swap Rating Determining Party are rated at least "P-2" by Moody's, *provided* that the Cashflow Swap Ratings Threshold shall not be satisfied if such obligations are rated "P-2" by Moody's and such rating is on watch for possible downgrade or (B) if there is no such short-term rating by Moody's, the long-term senior unsecured debt rating of its Cashflow Swap Rating Determining Party is at least "A1" by Moody's, *provided* further that the Cashflow Swap Ratings Threshold shall not be satisfied if such obligations are rated "A1" by Moody's and such rating is on watch for possible downgrade.

The Cashflow Swap Agreement will terminate when the Class A-1S Notes, the Class A-1J Notes, the Class A-2 Notes, the Class B-1 Notes, Class B-2 Notes and Class C Notes are paid in full. Additionally, the Cashflow Swap Agreement will be subject to termination upon the earlier to occur of (a) an Event of Default followed by the liquidation of the Collateral in accordance with the Indenture, (b) any Optional Redemption, Auction Call Redemption or Tax Redemption and (c) amendment of the Indenture without the prior consent of the Cashflow Swap Counterparty (if so provided in the Hedge Agreement).

If at any time the Cashflow Swap Agreement becomes subject to early termination due to the occurrence of an "event of default" or a "termination event" (each as defined in the Cashflow Swap Agreement) attributable to the Cashflow Swap Counterparty, the Issuer and the Trustee shall take such actions (following the expiration of any applicable grace period and subject to the terms of the Indenture) to enforce the rights of the Issuer and the Trustee thereunder as may be permitted by the terms of the Cashflow Swap Agreement and consistent with the terms hereof, and shall apply the proceeds of any such actions (including the proceeds of the liquidation of any collateral pledged by the Cashflow Swap Counterparty) to enter into a replacement Cashflow Swap Agreement on substantially identical terms or on such other terms satisfying the Rating Condition, and with a Cashflow Swap Counterparty with respect to which the Rating Condition shall have been satisfied. The Issuer will use its best efforts to cause the termination of the Cashflow Swap Agreement to become effective simultaneously with the entry into a replacement Cashflow Swap Agreement described as aforesaid. Notwithstanding the foregoing, if the Cashflow Swap Agreement becomes subject to early termination due to the occurrence of an "event of default" or a "termination event" (each as defined in the Cashflow Swap Agreement) attributable to the Cashflow Swap Counterparty (other than an "illegality" or "tax event," each as defined in the Cashflow Swap Agreement) (the "Subordinated Cashflow Swap Termination Event"), the Issuer agrees not to exercise its right to terminate the Cashflow Swap Agreement unless (i) no amounts would be owed by the Issuer to the Cashflow Swap Counterparty as a result of such termination (or the Issuer certifies to the Cashflow Swap Counterparty that the funds available on the next Quarterly Distribution Date will be sufficient to pay such termination payment) or (ii) at the option of the Issuer, the Cashflow Swap Counterparty shall be required to assign its rights and obligations under the Cashflow Swap Agreement and all transactions thereunder at no cost to the Issuer (*provided* that the Cashflow Swap Counterparty shall pay the Issuer's expenses in connection therewith, including legal fees) to a party selected by the Issuer (with the assistance of the Cashflow Swap Counterparty, which assistance will not be unreasonably withheld) that has ratings at least equal to the Cashflow Swap Counterparty Ratings Requirement (the "Cashflow Swap Subordinated Termination Substitute Party") (x) in the case of the occurrence of an "event of default" or a "termination event" (each as defined in the Cashflow Swap Agreement) attributable to the Cashflow Swap Counterparty other than a downgrade, withdrawal or suspension from Standard & Poor's within 30 days following the selection of a Cashflow Swap Subordinated Termination Substitute Party by the Cashflow Swap Counterparty or (y) in the case of the occurrence of an "event of default" or a "termination event" (each as defined in the Cashflow Swap Agreement) attributable to the Cashflow Swap Counterparty that is a downgrade, withdrawal or suspension from Standard & Poor's as soon as practicable but in no event later than 10 Business Days following such downgrade, withdrawal or suspension from Standard & Poor's; *provided* that such an assignment will not comply with this provision unless such assignment or replacement satisfies the Rating Condition and payment has been made to the Cashflow Swap Counterparty by the Cashflow Swap Subordinated Termination Substitute Party of an amount equal to the sum of the Reimbursement Amounts, the Accrued Interest, and unpaid amounts, if any, together with the "settlement amount" (as defined in the Cashflow Swap Agreement), which may be positive or negative, and will be based on quotations from reference market-makers, such payment in full satisfaction of all amounts owing by the Issuer in connection with such assignment (for the avoidance of doubt, other than unpaid amounts).

Amounts payable on account of the settlement amount upon any such termination will be based substantially upon the standard replacement transaction valuation methodology set forth in an ISDA Master Agreement published by the International Swaps and Derivatives Association, Inc.

The Cashflow Swap Agreement shall not be subject to early termination other than by reason of an event of default or termination event relating to the Issuer or the Cashflow Swap Counterparty specified in Section 5 of the Cashflow Swap Agreement or in Part 1 of the Schedule thereto. If an Early Termination Date is designated under the Cashflow Swap Agreement other than by reason of an "event of default" or "termination event" (each as defined in the Cashflow Swap Agreement) (other than "illegality" or "tax event," each as defined in the Cashflow Swap Agreement) as to which the Cashflow Swap Counterparty is the sole defaulting party or affected party, no termination payment is payable by the Issuer or the Cashflow Swap Counterparty and neither the Issuer nor the Cashflow Swap Counterparty will have any further payment obligations under the Cashflow Swap Agreement; *provided* that the Issuer shall be required to pay the Cashflow Swap Counterparty as a termination payment an amount equal to the sum of the Reimbursement Amounts, the Accrued Interest and any unpaid amounts, if any (without duplication).

The Indenture will provide that, following a declaration of acceleration of the Notes pursuant to the "Events of Default" section above, the Issuer shall not terminate the Cashflow Swap Agreement in effect immediately prior to a

declaration of acceleration unless the liquidation of the Collateral has begun and such declaration is no longer capable of being rescinded or annulled.

So long as the Cashflow Swap Agreement with respect to the Initial Cashflow Swap Counterparty is in effect, except as expressly provided in the Cashflow Swap Agreement, the Issuer has agreed not to enter into any transaction under any Hedge Agreement unless it has received the prior written consent of the Initial Cashflow Swap Counterparty.

The obligations of the Issuer under the Cashflow Swap Agreement are limited recourse obligations payable solely from the Collateral pursuant to the Priority of Payments. Each Cashflow Swap Agreement will be governed by New York law.

The Cashflow Swap Counterparty and the Basis Swap Counterparty

The information appearing in this section has been prepared by the Cashflow Swap Counterparty and the Basis 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 assume any responsibility for the accuracy, completeness or applicability of such information. The Cashflow Swap Counterparty and the Basis Swap Counterparty accept responsibility for the accuracy, completeness and applicability of the information contained in this section

The Cashflow Swap Counterparty and the Basis Swap Counterparty, AIG Financial Products Corp. ("AIG-FP"), commenced its operations in 1987. AIG-FP and its subsidiaries conduct, primarily as a principal, a financial derivative products business. AIG-FP also enters into investment contracts and other structured transactions and invests in a diversified portfolio of securities. In the course of conducting its business, AIG-FP also engages in a variety of other related transactions.

American International Group, Inc. ("AIG") is the guarantor of the payment obligations of its subsidiary, AIG-FP, with respect to the agreements entered into between AIG-FP and the Issuer. AIG, a Delaware corporation, is a holding company that is primarily engaged, through its subsidiaries, in a broad range of insurance and insurance-related activities and financial services in the United States and abroad. AIG has filed a Form 10-Q for the quarterly period ended September 30, 2005, which can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of such Form 10-Q can be obtained from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. The SEC also maintains a web site at <http://www.sec.gov> which contains such Form 10-Q.

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

The Accounts

On or prior to the Closing Date the Trustee will have established each of the following accounts (the "Accounts"). Any Account established may include any number of subaccounts deemed necessary by the Trustee for the purposes of administering the Accounts. Each Account shall remain at all times with a financial institution organized and doing business under the law of the United States or any State thereof, authorized under such law to exercise corporate trust powers and having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1," not be on watch for possible downgrade by Moody's) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.\$250,000,000.

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 50% 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), any amounts payable to the Issuer by each

Hedge Counterparty under each Hedge Agreement (other than amounts received by the Issuer by reason of an event of default or termination event under the relevant Hedge Agreement or other comparable event that are required to be used for the purchase by the Issuer of a replacement Hedge Agreement) and any amounts payable to the Issuer by the Cashflow Swap Counterparty under the Cashflow Swap Agreement (other than amounts received by the Issuer by reason of an event of default or termination event under the Cashflow Swap Agreement or other comparable event that are required to be used for the purchase by the Issuer of a replacement Cashflow Swap Agreement) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Interest Collection Account") which may be a subaccount of the Custodial Account. All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities to the extent such distributions or proceeds constitute Principal Proceeds unless, during the Substitution Period, such Principal Proceeds (other than Specified Principal Proceeds) are simultaneously reinvested in Collateral Debt Securities or Eligible Investments) in accordance with the Indenture, will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Principal Collection Account" which may be a subaccount of the Custodial Account and, together with the Interest Collection Account, the "Collection Accounts"). The Collection Accounts shall be maintained for the benefit of the Secured Parties and amounts on deposit therein will be available, together with reinvestment earnings thereon, for application in the order of priority set forth above under "Description of the Notes—Priority of Payments."

Amounts received in the Collection Accounts during a Due Period and amounts received in prior Due Periods and retained in the Collection Accounts under the circumstances set forth above in "Description of the Notes—Priority of Payments" will be invested in Eligible Investments (as described below) with stated maturities no later than the Business Day immediately preceding the next Quarterly Distribution Date. All such proceeds will be retained in the Collection Accounts unless used to purchase Collateral Debt Securities (by withdrawing the same from the Principal Collection Account or reinvesting the same immediately upon receipt) on or prior to the last day of the Substitution Period in accordance with the Eligibility Criteria, to honor commitments with respect thereto entered into prior to the last day of the Substitution Period, or as otherwise permitted under the Indenture. See "—Eligibility Criteria."

Payment Account

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

Semi-Annual Interest Reserve Account

On any date upon which the Issuer receives interest payments in Cash in respect of semi-annual interest paying securities, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Semi-Annual Interest Reserve Account") 50% of such interest payments on semi-annual interest paying securities. At least one Business Day prior to each Quarterly Distribution Date, the Trustee shall transfer all amounts deposited in the Semi-Annual Interest Reserve Account on or prior to the Determination Date preceding the last Quarterly Distribution Date (including any interest accrued on any such amount) to the Payment Account for application as Interest Proceeds in accordance with the Priority of Payments and except as otherwise provided in the Indenture such transfer shall be the only permitted withdrawal from, or application of funds on deposit in, or otherwise standing to the credit of, the Semi-Annual Interest Reserve Account. Amounts on deposit in the Semi-Annual Interest Reserve Account pending transfer to the Payment Account shall be invested in Eligible Investments with maturities no later than the Business Day immediately preceding the next Quarterly Distribution Date.

Uninvested Proceeds Account

On the Closing Date (and following such date, on the date of any Borrowing under the Class A-1S Notes), the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Uninvested Proceeds Account") all Uninvested Proceeds (other than the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Collateral Manager and the Initial Purchaser), the expenses of offering the Offered Securities and amounts deposited in the any other Account on the Closing Date). 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 written direction of the Issuer, the Trustee shall (i) apply funds held in the Uninvested Proceeds Account to purchase Collateral Debt Securities and Eligible Investments with stated maturities not later than the earlier of (A) 30 days after the date of such investment or (B) the Business Day immediately preceding the next Quarterly Distribution Date or (ii) withdraw Cash in the Uninvested Proceeds Account and deposit it into a Synthetic Security Counterparty Account in connection with the purchase of a Defeased Synthetic Security. Interest, principal and other distributions 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. Investment earnings on Eligible Investments credited to the Uninvested Proceeds Account received by the Issuer in any Due Period will be transferred to the Interest Collection Account and treated as Interest Proceeds on the related Quarterly Distribution Date. The Trustee shall (i) if there has not been a Rating Confirmation Failure as provided in the Indenture, transfer on the first Quarterly Distribution Date (x) up to \$1,000,000 to the Payment Account for application pursuant to "—Priority of Payments—Interest Proceeds," as Interest Proceeds if the certificate delivered by the Issuer to the Rating Agencies demonstrated that the Issuer purchased or committed to purchase Collateral Debt Securities having an aggregate Principal Balance (together with all Principal Proceeds received on or after the Closing Date) of at least \$250,000,000 on the Ramp-Up Completion Date and that the applicable Collateral Quality Tests and the applicable Coverage Tests were satisfied on the Ramp-Up Completion Date, and (y) all remaining Uninvested Proceeds remaining on deposit in the Uninvested Proceeds Account after the Ramp-Up Completion Date to the Payment Account for application pursuant to the Priority of Payments as Principal Proceeds, *first*, to the payment of principal of Notes in accordance with clause (2) of "—Priority of Payments—Principal Proceeds" and, *second*, to the payment of all other amounts required to be paid on such Quarterly Distribution Date in accordance with "—Priority of Payments—Principal Proceeds," or (ii) if there was a Rating Confirmation Failure, transfer all Uninvested Proceeds (if any) to the Payment Account for application as Principal Proceeds to the payment of principal of the Notes in accordance with *first*, clause (2) *second*, clause (3) and *third*, clause (4) of "—Priority of Payments—Principal Proceeds" to the extent necessary to obtain a Rating Confirmation from each Rating Agency.

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 a written direction from the Issuer the Trustee shall, sell any Eligible Investment standing to the credit of the Uninvested Proceeds Account and the Sale Proceeds thereof shall be and remain credited to the Uninvested Proceeds Account until such Sale Proceeds are either transferred as described above or applied to the purchase of Collateral Debt Securities, Eligible Investments with stated maturities not later than the earlier of (x) 30 days after the date of such investment or (y) the Business Day immediately preceding the next Quarterly Distribution Date.

Expense Account

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Collateral Manager and the Initial Purchaser) and the expenses of offering the Offered Securities, U.S.\$100,000 from the proceeds of the offering of the Offered Securities will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Account"). On each Quarterly Distribution Date, to the extent that funds are available for such purpose in accordance with the Priority of Payments and subject to the Dollar limitation set forth in clause (2) under "Description of the Notes—Priority of Payments—Interest Proceeds," the Trustee will deposit into the Expense Account an amount from Interest Proceeds (and, to the extent that Interest Proceeds are insufficient, from Principal Proceeds) equal to the lesser of (x) the excess of the amount by which U.S.\$100,000 (or \$150,000 for the first Due Period) exceeds the aggregate amount of payments made pursuant to clause (2) under "Description of the Notes—Priority of Payments—Interest Proceeds") and (y) such amount as

would have caused the balance in the Expense Account immediately after such deposit to equal U.S.\$100,000. Amounts on deposit in the Expense Account may be withdrawn from time to time to pay accrued and unpaid administrative expenses of the Co-Issuers. All funds on deposit in the Expense Account will be invested in Eligible Investments. 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.

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 Collateral. All Collateral 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. All funds on deposit in the Custodial Account, to the extent they are not reinvested in Collateral Debt Securities, will be invested in Eligible Investments. The Trustee has agreed to give the Issuer immediate notice (with a copy to each Hedge Counterparty, the Cashflow Swap Counterparty, each Rating Agency and the holders of the Notes of the Controlling Class) if the Custodial Account or any funds on deposit therein, or otherwise standing to the credit of the Custodial Account, shall become subject to any writ, order, judgment, warrant of attachment, execution or similar process. 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.

Interest Reserve Account

After payment of the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Collateral Manager and the Initial Purchaser) and the expenses of offering the Offered Securities, on the Closing Date U.S.\$500,000 from the proceeds of the offering of the Offered Securities will be deposited by the Trustee into a single account established and maintained by the Trustee under the Indenture (the "Interest Reserve Account"). All funds on deposit in the Interest Reserve Account will be invested in Eligible Investments. Except as provided in the Indenture, the only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, the Interest Reserve Account shall be as follows: at least one Business Day prior to the first and second Quarterly Distribution Dates, the Trustee will transfer funds from the Interest Reserve Account to the Payment Account for application (x) as Interest Proceeds on the first and second Quarterly Distribution Dates for distribution to the holders of the Notes if, and only to the extent, necessary for such Noteholders to receive the accrued and unpaid interest due and payable in respect of such Notes on such Quarterly Distribution Date, (y) to the extent that there are any amounts remaining after application as provided in the preceding clause (x), for application as Interest Proceeds on the first or second Quarterly Distribution Date, in the Collateral Manager's sole discretion, in accordance with the Priority of Payments, and (z) on the Business Day after the second Quarterly Distribution Date, to the extent that there are any amounts remaining after application as provided in the preceding clauses (x) and (y), to the Principal Collection Account to be treated as Principal Proceeds that are not Specified Principal Proceeds, which may be invested in Collateral Debt Securities.

Synthetic Security Counterparty Accounts

For each Defeased Synthetic Security or for multiple Defeased Synthetic Securities with the same Synthetic Security Counterparty, 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. 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 the Synthetic Security. As directed in writing by the Collateral Manager on behalf of the Issuer, 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 to the extent that the relevant amount has not been deposited in the Synthetic Security Counterparty Account from the net proceeds received by the Co-Issuers from the issuance of the Notes and the Preference Shares or Borrowings under the Class A-1S Notes, which amount shall be at least equal to the amount referred to in clause (a) of the definition of Defeased Synthetic Security.

In accordance with the terms of the applicable Defeased Synthetic Security and related account control and security agreement, amounts standing to the credit of a Synthetic Security Counterparty Account shall be invested in Synthetic Security Collateral designated by the Synthetic Security Counterparty, which may be subject to derivatives transactions between the Issuer and the Synthetic Security Counterparty. 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 the Issuer to the related Synthetic Security Counterparty in accordance with the terms of such Defeased Synthetic Security. The Issuer shall also 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 Synthetic Security Collateral credited to a Synthetic Security Counterparty Account, the Collateral Manager shall, by written direction on behalf of the Issuer, direct the Trustee to deposit such amounts in the Interest Collection Account. After payment of all amounts owing by the Issuer to a Synthetic Security Counterparty in accordance with the terms of the related Defeased Synthetic Security or 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 terms of the Synthetic Security 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; 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 Collateral" means investments made pursuant to the Indenture in a Synthetic Security Counterparty Account in (1) Eligible Investments, (2) Asset-Backed Securities with a Standard & Poor's Rating of at least "AA-" and a Moody's Rating of at least "Aa3" or (3) any other security that satisfies the Rating Condition.

Synthetic Security Issuer Accounts

If the terms of any Synthetic Security require the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Trustee shall cause to be established a Securities Account in respect of such Synthetic Security or for multiple Defeased Synthetic Securities with the same Synthetic Security Counterparty (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. Upon written direction of the Issuer, the Trustee, the Issuer and the Custodian shall enter into an account control agreement with respect to such account in a form

substantially similar to the Account Control Agreement. The Trustee shall credit to any such Synthetic Security Issuer Account all funds and other property received from the applicable Synthetic Security Counterparty to secure the obligations of such Synthetic Security Counterparty in accordance with the terms of such Synthetic Security.

As directed by a written direction of the Issuer executed by the Collateral Manager in writing and in accordance with the terms of the applicable Synthetic Security, amounts credited to a Synthetic Security Issuer Account shall be invested in securities permitted under the Synthetic Security and designated by the Synthetic Security Counterparty. 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 assets of the Issuer for purposes of any of the Collateral Quality Tests or the Coverage Tests; however, the Synthetic Security that relates to such Synthetic Security Issuer Account shall be considered an asset of the Issuer for such purposes.

In accordance with the terms of the applicable Synthetic Security, funds and other property standing to the credit of the related Synthetic Security Issuer Account shall, as directed by the Collateral Manager by written direction of the Issuer, be withdrawn by the Trustee and applied to the payment of any amount owing by the related Synthetic Security Counterparty to the Issuer. After payment of all amounts owing by the Synthetic Security Counterparty to the Issuer in accordance with the terms of the related Synthetic Security, all funds and other property standing to the credit of the related Synthetic Security Issuer Account shall be withdrawn from such Synthetic Security Issuer Account and paid or transferred to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security; 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 effect.

If the Synthetic Security Counterparty shall default in the performance of any of its payment or delivery obligations under any Synthetic Security, the Issuer (or the Trustee on its behalf) shall promptly notify the Synthetic Security Counterparty and applicable Synthetic Security Counterparty Guarantor and shall promptly demand that the Synthetic Security Counterparty or the applicable Synthetic Security Counterparty Guarantor perform each such payment or delivery obligation.

Each Synthetic Security Issuer Account shall remain at all times with a financial institution organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers and having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1," not be on watch for possible downgrade by Moody's) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.\$250,000,000.

Class A-1S Noteholder Prepayment Accounts

If any Class A-1S Noteholder does not at any time during the Commitment Period satisfy the Rating Criteria and such Holder elects the Prepayment Option, such Class A-1S Noteholder (a "Collateralizing Holder") shall cause to be established and maintained by the Custodian, as Securities Intermediary, a Securities Account (each such account, a "Class A-1S Noteholder Prepayment Account"), which Securities Account shall be in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. Upon Issuer Order, the Collateralizing Holder, the Trustee and the Issuer shall enter into an account control agreement (each a "Noteholder Prepayment Account Control Agreement") with the Custodian in respect of such Class A-1S Noteholder Prepayment Account in a form satisfactory to each such party. Upon confirmation by the Trustee of the establishment of such Class A-1S Noteholder Prepayment Account and the entry into by all parties of a Noteholder Prepayment Account Control Agreement related thereto, such Collateralizing Holder will remit to the Trustee for credit to such Class A-1S Noteholder Payment Account Cash or Eligible Investments that meet the requirements of the definition of "Eligible Prepayment Account Investments"), the aggregate outstanding principal amount of which is equal to the aggregate amount of such Collateralizing Holder's Commitment minus the aggregate amount of all advances previously made

by such Collateralizing Holder or one of more of its liquidity providers, as the case may be (as at any date of determination, the "Unfunded Commitment"). The Trustee shall cause all such Cash or Eligible Investments received by it from a Collateralizing Holder to be credited to the related Class A-1S Noteholder Prepayment Account.

As directed by a written notice from the Collateralizing Holder to the Trustee, with a copy to the Issuer, funds standing to the credit of a Class A-1S Noteholder Prepayment Account may be invested in Eligible Prepayment Account Investments. Income received on funds or other property credited to such Class A-1S Noteholder Prepayment Account shall be withdrawn from such Class A-1S Noteholder Prepayment Account monthly and paid to the related Collateralizing Holder. None of the Co-Issuers or the Trustee shall in any way be held liable for reason of any insufficiency of any Class A-1S Noteholder Prepayment Account resulting from any loss relating to any investment of funds standing to the credit of such account.

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

Each Collateralizing Holder's obligation to make advances under the Class A-1S Note Purchase Agreement may be satisfied by the Trustee withdrawing funds then standing to the credit of such Collateralizing Holder's Class A-1S Noteholder Prepayment Account.

On the Commitment Period Termination Date, the Trustee shall withdraw all funds and other property standing to the credit of each Class A-1S Noteholder Prepayment Account, if any, and pay or transfer the same to the related Collateralizing Holder. Upon any reduction of the Commitment, the Trustee shall withdraw from the funds then standing to the credit of each Class A-1S Noteholder Prepayment Account and pay to the related Collateralizing Holder an amount equal to the product of (i) such Collateralizing Holder's Unfunded Commitment and (ii) the percentage reduction in the Commitments. Upon acceptance and recording of an assignment and acceptance pursuant to Section 5.3(c) of the Class A-1S Note Purchase Agreement relating to the assignment by a Collateralizing Holder of all or a portion of its rights and obligations thereunder and its Class A-1S Notes, the Trustee shall withdraw from the funds then standing to the credit of such Collateralizing Holder's Class A-1S Noteholder Prepayment Account and pay to such Collateralizing Holder an amount equal to the product of (i) such Collateralizing Holder's Unfunded Commitment and (ii) the percentage of such Collateralized Holder's Unfunded Commitment that it has assigned. Upon a Collateralizing Holder providing notice to the Issuer and the Trustee that it subsequently satisfies the Rating Criteria, the Trustee shall withdraw all funds and other property then standing to the credit of such Collateralizing Holder's Class A-1S Noteholder Prepayment Account and pay or transfer the same to the Collateralizing Holder.

"Eligible Prepayment Account Investments" means any Dollar-denominated investment that is one or more of the following (a) direct Registered debt obligations of, and Registered debt obligations the timely payment of principal of and interest on which is fully and expressly guaranteed by, the United States of America or any full faith and credit agency or instrumentality thereof; and (b) demand and time deposits in, trust accounts of, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or federal funds sold by any United States federal or state depository institution or trust company, the commercial paper and/or debt obligations of which (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have been assigned a long-term credit rating of "Aaa" by Moody's and "AAA" by Standard & Poor's, in the case of long-term debt obligations, or "P-1" by Moody's and "A-1+" by Standard & Poor's, in the case of commercial paper and short-term obligations; *provided*, that in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment or contractual commitment providing for such investment a long-term credit rating of "Aaa" by Moody's and "AAA" by Standard & Poor's; and *provided* further that Eligible Prepayment Account Investments may not include any investment the income from or the proceeds of the disposition of which is or will be subject to deduction or withholding for or on account of any withholding or similar tax, or the acquisition (including the manner of acquisition), ownership, enforcement and disposition of which investment will subject the Issuer to net income tax in any jurisdiction outside its jurisdiction of incorporation.

THE COLLATERAL MANAGER

The information appearing in this section has been prepared by the Collateral Manager and has not been independently verified by the Co-Issuers, the Initial Purchaser, the Trustee or any other person. Accordingly, notwithstanding anything to the contrary herein, none of the Co-Issuers, the Initial Purchaser or the Trustee assume any responsibility for the accuracy, completeness or applicability of such information. The Co-Issuers do, however, take responsibility for correctly reproducing the information they received from the Collateral Manager.

Dynamic Credit Partners, LLC

Dynamic Credit Partners, LLC ("Dynamic Credit") will perform certain advisory and 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 Dynamic Credit, as collateral manager (in such capacity, the "Collateral Manager").

Dynamic Credit is a limited liability company organized and existing under the laws of the State of Delaware and located at 667 Madison Avenue, 5th Floor, New York, New York 10021. Dynamic Credit was established in November 2003 by James K. Finkel and Tonko Gast, to provide a variety of investment management and investment advisory services. Mr. Finkel and Mr. Gast are the sole equity owners of Dynamic Credit and act as Managing Member and Chief Executive Officer and Chief Investment Officer, respectively.

Dynamic Credit is principally engaged in providing asset management and investment advisory services to a variety of clients and specializes in the structured fixed income credit markets, particularly CDOs and asset-backed securities ("ABS"). Dynamic Credit currently acts as the General Partner and through an affiliate, as the investment manager, of the Dynamic Credit Opportunities Fund I, LP and Dynamic Credit Opportunities Fund II ("DCOF I" and "DCOF II," respectively). DCOF I and DCOF II are structured as private investment funds that primarily invest in subordinated tranches of CDOs and ABS and seek to generate attractive risk-adjusted returns through detailed relative value analysis. DCOF I was launched in early 2004 and closed to new investors at the end of 2004. DCOF II was launched on August 1, 2005. Dynamic Credit through one of its affiliates also acts as collateral manager for Stockbridge CDO Ltd, a CDO of CDOs. As of December 1, 2005, Dynamic Credit's assets under management or committed to management totaled approximately U.S. \$2.0 billion.

Dynamic Credit is a registered investment advisor under the United States Investment Advisers Act of 1940, as amended (the "Advisers Act"), and regulated as such by the SEC.

Dynamic Credit Key Personnel

Set forth below is the information regarding the backgrounds and experience of certain persons who are currently employed by the Collateral Manager and who are expected to be responsible for substantially all of the collateral management activities of the Issuer. There can be no assurance that such persons will continue to be employed by Dynamic Credit, or if so employed, involved in the activities of Dynamic Credit as Collateral Manager throughout the entire term of the Collateral Management Agreement.

James K. Finkel: Mr. Finkel is the co-founder and Managing Member/CEO of Dynamic Credit and the co-manager of DCOF I and DCOF II. Jim is primarily responsible for sourcing investment opportunities, the portfolio's risk management, internal management, marketing and compliance.

Jim has over 18 years experience in the structured finance field, and has transacted in CDOs since 1996. Prior to founding Dynamic Credit, he was a Managing Director of the Global CDO team at Deutsche Bank (London) for three years, and previously was a senior member of the structured products/derivatives group at Bear Stearns in both London and New York (1996-2000). In his career, Jim has originated, structured (and restructured) and traded and distributed over \$10 billion of CDO and structured credit products.

Jim also has significant mortgage-backed and asset-backed experience from his first trading desk position with Nomura Securities in 1992-1994. Jim developed experience with respect to the structural features and

documentation for securitized products as a tax lawyer for 6 years with Cadwalader in New York (1986-1992). Jim's highest degrees are a M.Sc. from the London School of Economics and a LL.M. (Taxation) from New York University.

Tonko Gast: Mr. Gast is the co-founder and Chief Investment Officer of Dynamic Credit and the co-manager of DCOF I and DCOF II. He is responsible for all systems, models, as well as portfolio optimization, specific analysis of CDO positions and monitoring the Fund's overall credit and interest rate exposure. He has been a financial engineer for over 6 years and has had a constant focus on complex fixed income products.

From early 2001 until 2003, Tonko was the Senior CDO Portfolio Manager at ABN AMRO running a \$250mm CDO mezzanine strategy. He was responsible for the complete investment process, including design and development of CDO analysis, creation of CDO rating agency replication models and CDO portfolio risk monitoring tools, analysis of primary and secondary CDO opportunities, collateral manager due diligence, investment decisions, trading, hedging and portfolio management, and investor reporting.

Prior to ABN AMRO, Tonko was a financial engineer and quantitative analyst with SNS Asset Management where he designed a complex bond portfolio simulator. He also created models analyzing the risk/return of a variety of alternative investments, including CDOs and derivative instruments. In addition to a M.Sc. in Economics, Tonko has completed advanced education in Financial Engineering at the University of Amsterdam and in Credit Risk Modeling at Stanford Business School.

Daniel Nigro: Mr. Nigro is the ABS Portfolio Manager at Dynamic Credit. He has over 20 years of fixed income experience as an analyst, trader and portfolio manager. He has worked across all sub-sectors of the ABS market at both insurance companies and for a money manager. As a Co-Portfolio Manager and Head of Credit at Ischus Capital, LLC, Dan was responsible for all RMBS investments in their mezzanine and high grade structured finance CDOs. Mr. Nigro also previously worked as a fixed income Portfolio Manager at JPMorgan Fleming Asset Management. Dan began his career as a private placement analyst at TIAA-CREF. Dan earned his MBA at the University at Buffalo in 1984, graduating *cum laude* and is a member of Beta Kappa Sigma, for his distinction in business studies. He also is a member of the CFA Institute and the NY Society of Securities Analysts.

David M. Schwartz: Mr. Schwartz' responsibilities at Dynamic Credit include CDO trading, developing trading and hedging strategies, analyzing synthetic securities, and spearheading new product initiatives. Prior to joining Dynamic Credit in 2004, he worked for six years at Morgan Stanley and Goldman Sachs. As a structured credit strategist at Morgan Stanley, he was responsible for identifying CDO and ABS trading opportunities and developing proprietary research. At Goldman Sachs, he was a strategist in the currency and commodities division. Mr. Schwartz received a B.A. with honors in Applied Mathematics with Economics from Harvard University and a M.A. in Mathematics of Finance from Columbia University.

Mendel Starkman: Mr. Starkman is a CDO Analyst responsible for CDO modeling, investment analysis, and surveillance at Dynamic Credit. Additionally, Mendel helps maintain Dynamic Credit's internal data systems and is responsible for the efficiency of the firm's data management process. Prior to joining Dynamic Credit, Mr. Starkman gained investment banking and financial modeling experience at Corinthian Partners, LLC. He holds a BS in Finance from Touro College and is completing his MBA at Baruch College of the City University of New York.

Wilson Kung: Mr. Kung is a CDO Analyst at Dynamic Credit. His structured credit experience, prior to joining Dynamic Credit, includes analyzing and investing in cashflow CDOs for Blackriver Asset Management's credit hedge fund and acting as head structurer and deal manager for new issue cashflow CDOs at Guggenheim Capital Markets. His other experience includes fixed income research and strategy in government securities at CSFB and mortgage-backed securities at Metlife Fixed Income Investments. He earned his B.A. in Economics from the University of Pennsylvania, and is a designated CFA.

THE COLLATERAL MANAGEMENT AGREEMENT

General

On or prior to the Closing Date, the Issuer will enter into a Collateral Management Agreement (the "Collateral Management Agreement") with Dynamic Credit Partners, LLC (the "Collateral Manager" or "Dynamic Credit") whereby the Issuer will appoint the Collateral Manager and the Collateral Manager will undertake to select all Collateral Debt Securities to be purchased by the Issuer on the Closing Date and to the end of the Substitution Period and to perform certain other advisory and administrative tasks for or on behalf of the Issuer. Such other services include (i) monitoring the Collateral and providing to the Issuer all reports and other data that the Issuer is required to prepare and deliver under the Indenture, where such reports are not prepared and delivered by the Collateral Administrator, and subject to the Collateral Manager's receipt of all necessary information in a timely manner from the Trustee and the Collateral Administrator, as applicable, (ii) selecting the portfolio of Collateral Debt Securities and Eligible Investments to be purchased by the Issuer, (iii) effecting the purchase or sale of the Collateral Debt Securities and the Eligible Investments (including the reinvestment of proceeds therefrom as permitted by the Indenture), (iv) instructing the Trustee with respect to any disposition of or tender for a Collateral Debt Security or Eligible Investments, (v) assisting the Issuer in determining the fair market value of Collateral Debt Securities in accordance with procedures set forth in the Indenture and consulting with the Issuer regarding approved replacement dealers and approved pricing services used to make such determination, (vi) negotiating (as appropriate) with the issuers of the Collateral Debt Securities and the Eligible Investments, (vii) determining the rights and remedies of the Issuer in connection with the Collateral Debt Securities and the Eligible Investments, (viii) assisting the Issuer in connection with redemptions and auctions, (ix) selecting and negotiating Hedge Agreements and Synthetic Securities and any replacement Cashflow Swap Agreement, (x) consulting with the Rating Agencies and provide information reasonably requested or required by the Indenture, (xi) performing the duties and obligations of the Collateral Manager required by the Indenture to the extent and as set forth in the Collateral Management Agreement and (xii) consulting with the Issuer regarding replacement or successor Trustees, Calculation Agents, Note Registrars and accountants.

Amendment of the Collateral Management Agreement

The Collateral Management Agreement may not be supplemented, amended or modified in any manner except by a written agreement executed by all the parties to the Collateral Management Agreement and only if the Rating Condition is satisfied and, if such agreement could reasonably be expected to have a material adverse effect on the interests of the Cashflow Swap Counterparty or any Hedge Counterparty (if such provision is provided in the applicable Hedge Agreement), each such Hedge Counterparty and the Cashflow Swap Counterparty shall have consented.

For so long as any of the Notes are listed on any stock exchange, the Issuer will cause a copy of any amendment or modification to the Collateral Management Agreement to be sent to such stock exchange.

Conflicts of Interest

The Collateral Manager and any of its Affiliates may engage in any other businesses and may furnish investment management and advisory services to entities whose investment policies may differ from or be similar to those followed by the Collateral Manager on behalf of the Issuer, as required by the Collateral Management Agreement. The Collateral Manager and its Affiliates will be free, in their sole discretion, to make recommendations to others or effect transactions on behalf of themselves or others which may be the same or different from those effected with respect to the Collateral securing the Notes. In addition, the Collateral Manager and its Affiliates may, from time to time, cause, direct or recommend that their clients buy or sell securities of the same or different kind or class of the same issuer of securities that are part of the Collateral and that the Collateral Manager directs to be purchased or sold on behalf of the Issuer. See "Risk Factors—Conflicts of Interest Involving the Collateral Manager."

The Collateral Manager will cause any acquisition or sale by the Issuer of Collateral to be conducted on an arm's length basis and, if effected with the Collateral Manager or person affiliated with the Collateral Manager, or any fund or account for which the Collateral Manager or an Affiliate thereof acts as an investment advisor on terms

as favorable to the Issuer as would be the case if such person were not so affiliated, provided that the Collateral Manager will be permitted to acquire an obligation on behalf of the Issuer to be included in the Collateral from any of its Affiliates as principal or as agent or from funds or accounts for which any such Affiliate acts as investment advisor or to sell an obligation to its Affiliates as principal or agent or to funds or accounts for which any Affiliate acts as investment advisor; provided, further, that the Collateral Manager may acquire an obligation on behalf of the Issuer to be included in the Collateral from itself or from any of its Affiliates as principal or as agent, or from funds or accounts for which it or any of its Affiliates acts as an investment advisor or sell an obligation on behalf of the Issuer to itself, or to any of its Affiliates as principal or as agent or to funds or accounts for which it or any of its Affiliates acts as an investment advisor. The Issuer acknowledges in the Collateral Management Agreement (x) that the Collateral Manager, Affiliates of the Collateral Manager, and/or funds and accounts managed by the Collateral Manager may acquire on the Closing Date a portion of the Preference Shares, (y) that funds advised by the Collateral Manager or its Affiliates may sell Collateral Debt Securities to the Issuer on or prior to the Closing Date and (z) that the Collateral Manager, its Affiliates and funds or accounts for which the Collateral Manager or its Affiliates acts as investment adviser may at times own Notes of one or more Classes. See "Risk Factors—Conflicts of Interest Involving the Collateral Manager."

When purchasing, entering into, managing, selling or terminating Collateral Debt Securities on behalf of the Issuer, the Collateral Manager shall be deemed for purposes of the Indenture and in its capacity as agent for the Issuer to have complied with certain restrictions contained in the Indenture, which exclude acquisition (including the manner of acquisition), ownership, enforcement and disposition of an obligation or security that would cause the Issuer to be treated as engaged in the United States trade or business for U.S. Federal income tax purposes, if the Collateral Manager satisfies certain requirements set forth in the Collateral Management Agreement.

Certain administrative duties of the Issuer with respect to the Collateral (including the performance of certain calculations with respect to each of the Eligibility Criteria) will be performed for the Issuer (or the Collateral Manager on behalf of the Issuer) by the Collateral Administrator and the Collateral Manager under the Collateral Administration Agreement. The Collateral Manager will also provide the Issuer and the Trustee with certain information, on a quarterly basis, with respect to the composition and characteristics of Collateral Debt Securities in the Collateral.

The Issuer acknowledges in the Collateral Management Agreement that a broker may from time to time sell assets to the Issuer or purchase assets from the Issuer as broker both for the Issuer and another person on the other side of the transaction, in which case such broker will act as broker for, receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to such transactions. So long as each of the Collateral Manager and such broker satisfies its duties and obligations to the Issuer under applicable law (including the Advisers Act) and, in the case of the Collateral Manager, under the Collateral Management Agreement, the Issuer will authorize and consent pursuant to the Collateral Management Agreement, to such broker, including a broker that is an Affiliate of the Collateral Manager, engaging in such transactions and acting in such capacities.

The Collateral Manager will place each order for a security transaction with a specific broker-dealer (which can include an Affiliate of the Collateral Manager) selected by the Collateral Manager with the objective of receiving "best execution" of such security transaction 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, including the execution of buy and sell orders and the providing of research to the Collateral Manager. Such services may be used by the Collateral Manager or its Affiliates in connection with their other advisory activities or investment operations. In negotiating commissions with broker-dealers, the Collateral Manager will pay no more for execution and research services than the Collateral Manager considers either service, or both such services together, to be worth. The Issuer acknowledges in the Collateral Management Agreement that 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 is permitted to 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 Exchange Act when paying such higher commissions. The Issuer acknowledges in the Collateral Management Agreement that while the Collateral Manager generally seeks reasonably competitive fees, commissions and spreads, the Issuer may not necessarily pay the lowest fee, commission or spread available with

respect to any particular transaction. Transactions may be executed as part of concurrent authorization to purchase or sell the same security for other accounts serviced by the Collateral Manager. When these concurrent transactions occur, the Collateral Manager has agreed that its objective will be to allocate the executions among the accounts in a fair and equitable manner over time.

The Collateral Manager will be required to perform its obligations under the Collateral Management Agreement in good faith and in accordance with the standard of care set forth in the Collateral Management Agreement, ("Collateral Manager Standard of Care"). To the extent not inconsistent with the foregoing, the Collateral Manager will follow its customary standards, policies and procedures.

The Collateral Manager and its principals, its partners, directors, members, officers, stockholders, managers, employees, agents, accountants, attorneys and Affiliates (and such Affiliates' respective principals, partners, directors, members, officers, stockholders, managers, employees, agents, accountants and attorneys) will not be liable to the Issuer, Co-Issuer, the Initial Purchaser, the Trustee, any Hedge Counterparty, Cashflow Swap Counterparty, the Noteholders, the Preference Shareholders, the Combination Securityholders, Preference Shares Paying Agent, the Collateral Administrator or any other person or any of their respective principals, partners, directors, members, officers, stockholders, managers, employees, agents, accountants, attorneys or affiliates or any other person for any losses, claims, damages, judgments, assessments, demands, charges, costs or other expenses or liabilities of any nature arising from or in connection with the Collateral Management Agreement, the Indenture, the Offering Circular and the transactions contemplated thereby or incurred as a result of the actions taken or recommended or for any omissions by the Collateral Manager or any of its Affiliates under or in connection with the Collateral Management Agreement or the Indenture or for any decrease in the value of the Collateral Debt Securities or the Offered Securities, except by reason of acts constituting bad faith, gross negligence or willful misconduct in the performance of the duties and obligations of the Collateral Manager under the Collateral Management Agreement and the Indenture. The acts and omissions constituting bad faith, gross negligence or willful misconduct described in the immediately preceding sentence are collectively referred to as "Collateral Manager Breaches."

Pursuant to the terms of the Collateral Management Agreement, the Issuer will indemnify and hold harmless the Collateral Manager and its Affiliates and their respective principals, managers, directors, members, officers, agents, stockholders, employees, accountants and attorneys (each, an "Indemnified Party") from and against any and all expenses, losses, damages, judgments, assessments, costs, liabilities, demands, charges, claims or other liabilities of any nature whatsoever (including reasonable attorneys' fees and expenses) (collectively, "Losses"), as incurred, in respect of or arising from the issuance of the Notes, the transactions described in this Offering Circular, the Collateral Management Agreement or the other transaction documents, or any action or failure to act by the Collateral Manager and not as a result of a Collateral Manager Breach, and in respect of any untrue statement or alleged untrue statement of a material fact contained in this Offering Circular, or any omission or alleged omission to state a material fact necessary to make the statements in this Offering Circular, in the light of the circumstances under which they were made, not misleading; *provided* that, with respect to the foregoing indemnity provided with respect to this Offering Circular, the Issuer will not be liable for any Losses that arise out of or are based upon any untrue or alleged untrue statement or omission or alleged omission of a material fact in this Offering Circular based upon information contained under the heading "The Collateral Manager" and the Risk Factors entitled "Conflicts of Interest Involving the Collateral Manager" and "Dependence on the Collateral Manager and Key Personnel" (collectively, the "Collateral Manager Information") in this Offering Circular. Any such indemnification by the Issuer will be paid in accordance with the Priority of Payments.

The Collateral Manager, will indemnify and hold harmless the Issuer for any losses, claims, damages, judgments, assessments, costs or other liabilities incurred by the Co-Issuers arising from any Collateral Manager Breach or material misstatement or material omission in the Collateral Manager Information.

The Collateral Manager shall not be bound to follow any amendment to the Indenture until it has received written notice thereof and until it has received a copy of the amendment from the Issuer or the Trustee. The Trustee has agreed in the Indenture not to enter into any supplemental indenture that modifies the duties or liabilities of the Collateral Manager in any respect without the written consent of the Collateral Manager and the Collateral Manager will not be bound by any such amendment unless the Collateral Manager has so consented, which consent shall not be unreasonably withheld (except that the Collateral Manager may, in its sole discretion, withhold its consent to any

supplemental indentures that reduce or delay the payment of the Management Fees to the Collateral Manager or increase the duties of the Collateral Manager).

Termination of the Collateral Management Agreement

Automatic Termination

The Collateral Management Agreement will automatically terminate upon the earliest to occur of (i) the payment in full of the Notes and the Combination Securities and the termination of the Indenture in accordance with its terms and the redemption of the Preference Shares or (ii) the liquidation of the Collateral and the final distribution of the proceeds of such liquidation as provided in the Indenture.

Removal for Cause

The Collateral Manager may be removed for cause, by holders of 66-2/3% of the aggregate outstanding principal amount of Notes of the Controlling Class or a Special Majority-In-Interest of Preference Shareholders (excluding Collateral Manager Securities) upon 20 business days' prior written notice to the Collateral Manager. Each of the following events with respect to the Collateral Manager will constitute "cause":

- (i) intentional breach of, or taking any action that it knows violates, any provision of the Collateral Management Agreement or any term of the Indenture applicable to the Collateral Manager;
- (ii) breach of any provision of the Collateral Management Agreement or any terms of the Indenture applicable to the Collateral Manager (*provided* that a failure to meet any Collateral Quality Tests or Standard & Poor's CDO Monitor Tests shall not be a breach under this subclause (ii)) that has or could reasonably be expected to have a material adverse effect on the holders of the Notes of any Class or Preference Shareholders and, if such breach is capable of being cured, that is not cured within 45 days of its becoming aware of, or its receiving notice from the Trustee of such breach;
- (iii) the Collateral Manager consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another person and at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee person either (1) fails to or cannot assume all the obligations of the Collateral Manager under the Collateral Management Agreement by operation of law or pursuant to an agreement reasonably satisfactory to the Issuer or (2) lacks the capacity to perform the obligation of the Collateral Manager under the Collateral Management Agreement or under the Indenture;
- (iv) insolvency, dissolution, winding-up or liquidation of the Collateral Manager or the institution of a proceeding seeking a judgment of insolvency or bankruptcy, subject to certain cure periods;
- (v) the occurrence of an act by the Collateral Manager or its Affiliates that constitutes fraud or criminal activity in the performance of its obligations under the Collateral Management Agreement or the Indenture as determined by a court of law or the indictment of the Collateral Manager or any of its senior officers or directors, who have direct supervisory responsibility for the investment activities of the Issuer, for a criminal offense materially related to investment-related business;
- (vi) an Event of Default occurs under clause (a) or (b) under the heading "Description of the Notes—The Indenture—Events of Default" which is the result of a breach by the Collateral Manager of its duties under the Indenture or the Collateral Management Agreement, which breach or default is not cured within any applicable cure period,
- (vii) a representation made or deemed to have been made by the Collateral Manager in or pursuant to the Collateral Management Agreement proves to have been incorrect or misleading in any

material respect when made or deemed to have been made, such misrepresentation has or could reasonably be expected to have a material adverse effect on the holders of the Notes of any Class or Preference Shareholders and such misrepresentation (if remediable) is not remedied on or before the 90th day after written notice of such failure is given to the Collateral Manager; and

- (viii) if both James Finkel and Tonko Gast cease to be a director, officer or management level employee of the Collateral Manager actively involved in the business of the Collateral Manager (a "Key Person Event").

Notwithstanding the foregoing clause (viii), a Key Person Event will not be deemed to have occurred in the event that the Collateral Manager appoints a suitable qualified professional with comparable experience to the Key Persons so ceasing to be employed by the Collateral Manager as a replacement for such Key Persons (a "Replacement Key Person") and the Collateral Manager notifies the Trustee (with a copy to the Rating Agencies) of such appointment within 90 days of such cessation and the Rating Agencies confirm that such replacements will not result in any downgrading of any ratings of any of the Outstanding Notes; provided that, upon notice to the Trustee within 30 days after receipt of notice by the Trustee of a proposed Replacement Key Person (the "First Period"), the appointment of any Replacement Key Person may be rejected by the holders of a Special Majority-In-Interest of the Preference Shares (such percentage to be determined excluding any Collateral Manager Securities). In the event that the Replacement Key Person or Replacement Key Persons are rejected within the First Period, the Collateral Manager may appoint an alternative Replacement Key Person and a Special Majority-In-Interest of Preference Shareholders (such percentage to be determined excluding any Collateral Manager Securities) may again vote to approve or reject such alternative Replacement Key Person.

Resignation

The Collateral Manager may resign without penalty on 60 days written notice to the Issuer (or such shorter notice as is acceptable to the Issuer) which notice has been given to the Rating Agencies, each Hedge Counterparty, the Cashflow Swap Counterparty and the Trustee.

Eligible Successor

No removal or resignation of the Collateral Manager is effective unless: (i) an Eligible Successor designated by a Special Majority-In-Interest of the Preference Shareholders (excluding Collateral Manager Securities) has agreed in writing to assume all of the Collateral Manager's duties and obligations under the Collateral Management Agreement, (ii) such Eligible Successor has not been objected to by Holders of at least a majority in aggregate outstanding principal amount of Notes of the Controlling Class within 30 days after notice of appointment of the successor Collateral Manager, (iii) 10 days' prior notice has been given to the Rating Agencies, each Hedge Counterparty, the Cashflow Swap Counterparty and the Trustee and (iv) such assumption by an Eligible Successor satisfies the Rating Condition.

Fees

As compensation for the performance of its obligations under the Collateral Management Agreement, the Collateral Manager (and/or at its direction, an Affiliate of the Collateral Manager) will be entitled, to the extent there are funds available therefor in accordance with the Priority of Payments, to receive (i) a Senior Management Fee (the "Senior Management Fee") equal to 0.20% per annum of the Quarterly Asset Amount on each Quarterly Distribution Date, (ii) a Subordinate Management Fee (the "Subordinate Management Fee" and, together with the Senior Management Fee, the "Management Fees") equal to 0.30% per annum of the Quarterly Asset Amount on each Quarterly Distribution Date and (iii) an Incentive Management Fee (the "Incentive Management Fee") on any Quarterly Distribution Date (including any date on which the Preference Shares are redeemed) on which the Preference Shareholders have received an annualized IRR of at least 10.0% per annum on the initial aggregate liquidation preference of the Preference Shares for the period from the Closing Date to such Quarterly Distribution Date equal to 10.0% of the sum of (a) the Interest Proceeds (if any) remaining after the payment of all amounts payable pursuant to clauses (1) through (15) of "Priority of Payments-Interest Proceeds" on such Quarterly Distribution Date and (b) the Principal Proceeds (if any) remaining after the payment of all amounts payable pursuant to clauses (1) through (16) of "Priority of Payments-Principal Proceeds") on such Quarterly Distribution

Date. Any unpaid Senior Management Fee that is deferred (whether as a result of the operation of the Priority of Payments as described herein or at the option of the Collateral Manager) shall be paid on the next succeeding Quarterly Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments and shall accrue interest at LIBOR. Any unpaid Subordinate Management Fee that is deferred (whether as a result of the operation of the Priority of Payments as described herein or at the option of the Collateral Manager) shall be paid on the next succeeding Quarterly Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments and shall not accrue interest.

In addition, on the Closing Date, the Issuer shall pay the Collateral Manager, an upfront management fee equal to U.S.\$425,000.

Pursuant to the terms of the Collateral Administration Agreement between the Issuer, JPMorgan Chase Bank, National Association (the "Collateral Administrator") and the Collateral Manager (the "Collateral Administration Agreement"), the Issuer will retain the Collateral Administrator to prepare certain reports with respect to the Collateral Debt Securities. The compensation paid to the Collateral Administrator by the Issuer for such services will be in addition to the fees paid to the Collateral Manager and to JPMorgan Chase Bank, National Association in its capacity as Trustee, and will be treated as an expense of the Issuer under the Indenture and will be subject to the priorities set forth under "Description of the Notes—Priority of Payments."

Portfolio Consulting Agreement

On the Closing Date, Dynamic Credit will appoint Basis Capital Pty Limited (the "Portfolio Consultant") as the portfolio consultant under the Portfolio Consulting Agreement between Dynamic Credit and the Portfolio Consultant. To the extent that Dynamic Credit deems it appropriate, the Portfolio Consultant will provide collateral monitoring, surveillance and advisory services to the Collateral Manager in connection with the Issuer's portfolio of Collateral Debt Securities. These services may include review of transaction reports and periodic meetings with Dynamic Credit, at which the Portfolio Consultant may provide advice as to the performance of the Collateral, possible dispositions and the sourcing of new collateral. Dynamic Credit will pay (out of its Management Fee) a quarterly fee of 0.05% per annum of the Net Outstanding Principal Balance to the Portfolio Consultant for such services. The Portfolio Consultant or an affiliate thereof is expected to purchase Preference Shares on the Closing Date.

INCOME TAX CONSIDERATIONS

CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

In General

The following summary describes the principal U.S. Federal income tax, Cayman Islands tax consequences of the purchase at initial issuance of the Offered Securities and the ownership and disposition of the Offered Securities to holders that hold such Offered Securities, as applicable, as capital assets. For purposes of this section, with respect to each Class of Notes, the first price at which a substantial amount of Notes of such Class is sold to investors is referred to herein as the "Issue Price." The summary does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Offered Securities. In particular, the summary does not address special tax considerations that may apply to certain types of taxpayers, including securities dealers, securities traders who account for their securities on a mark-to-market basis for tax purposes, banks, tax-exempt investors, insurance companies, regulated investment companies, real estate investment trusts, subsequent purchasers of Offered Securities, persons that own (directly or indirectly) equity interests in holders of Offered Securities and holders that purchase the Notes for prices other than the respective Issue Prices of the Notes. In addition, this summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the U.S. Federal government and the Cayman Islands. In general, this summary assumes that a holder acquires Offered Securities at original issuance (and in case of the Notes, at the applicable Issue Price) and holds such Offered Securities as a capital asset and not as part of a hedge, a straddle, or a conversion transaction within the meaning of Section 1258 of the Internal Revenue Code of 1986, as amended (the "Code"), a constructive sale transaction within the meaning of Section 1259 of the Code or an integrated transaction. The summary is based on United States and Cayman Islands tax laws, regulations, rulings and decisions in effect or available on the date of this Offering Circular. All of the foregoing are subject to change, which change may apply retroactively and could affect the continued validity of this summary. There can be no assurance that the tax consequences of an investment in the Offered Securities will be favorable or that such consequences to a particular investor will be as described herein.

As used in this section, the term "U.S. holder" means a beneficial owner of an Offered Security who is (i) a citizen or resident of the United States, (ii) an entity taxable as a corporation for U.S. Federal income tax purposes, which is created or organized in or under the laws of the United States, any state therein or the District of Columbia, (iii) an estate (other than a foreign estate defined in Section 7701(a)(31)(A) of the Code) or (iv) a trust if a court within the United States is able to exercise primary supervision over such trust's administration and one or more U.S. persons have the authority to control all substantial decisions of such trust and certain other trusts that were in existence on August 20, 1996 and that elect to continue to be treated as U.S. persons. The term "non-U.S. holder" means a beneficial owner (that is not a pass-through entity) of an Offered Security who is not a U.S. holder (that is not a pass-through entity).

U.S. persons and non-U.S. persons who own an interest in a holder which is treated as a pass-through entity under the Code will generally receive the same tax treatment, with respect to the material tax consequences of their indirect ownership of the Offered Securities, as is described herein for direct U.S. holders and non-U.S. holders, respectively. Nonetheless, such persons should consult their tax advisors with respect to their particular circumstances, including for issues related to tax elections and information reporting requirements.

THIS SUMMARY IS INCLUDED FOR GENERAL INFORMATION ONLY. ACCORDINGLY, PROSPECTIVE PURCHASERS OF THE OFFERED SECURITIES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL INCOME TAX AND CAYMAN ISLANDS TAX

CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SECURITIES AND THE POSSIBLE APPLICATION OF STATE, LOCAL, FOREIGN OR OTHER TAX LAWS.

U.S. Federal Tax Considerations

For U.S. Federal income tax purposes, the Issuer, and not the Co-Issuer, will be treated as the issuer of the Notes.

Tax Treatment of the Issuer

Schulte Roth & Zabel LLP, special U.S. Federal income tax counsel to the Issuer, will provide the Issuer with an opinion of counsel to the effect that, although there is no direct authority, the Issuer will not be engaged in a trade or business within the United States for Federal income tax purposes, and accordingly, the Issuer will not be subject to Federal income tax in the United States on its net income or to the branch profits tax. This opinion will be based on certain assumptions regarding the Issuer, including the Issuer's and the Collateral Manager's compliance with the Indenture and the Collateral Management Agreement. Prospective investors should be aware that an opinion of counsel is not binding on the U.S. Internal Revenue Service ("IRS") or the courts, and that no ruling will be sought from the IRS regarding the U.S. Federal income tax treatment of the Issuer.

If the Issuer should be treated as engaged in a trade or business in the United States, the Issuer would be potentially subject to substantial U.S. Federal income taxes. The imposition of such taxes would materially affect the Issuer's financial ability to make payments on the Offered Securities.

Although the Issuer is generally not intended to be subject to U.S. Federal income tax on its net income, certain income derived by the Issuer may be subject to withholding taxes imposed by the United States or other countries. It is not expected that the Issuer will derive material amounts of income that would be subject to United States withholding taxes.

Tax Treatment of U.S. Holders of the Notes

Status of the Notes. Upon the issuance of the Notes, Schulte Roth & Zabel LLP will deliver an opinion that, although there is no direct authority, the Notes will be characterized as debt for U.S. Federal income tax purposes. Such opinion will assume compliance with the Indenture and other related documents. Investors should be aware that such opinion of counsel is not binding on the IRS or the courts and if any Class of Notes were treated as equity interests in the Issuer, the discussion below (other than making a "qualified electing fund" election and the consequences thereof) with respect to a holder of Preference Shares would generally apply. A U.S. holder of Notes should consult its own tax advisor regarding the possibility of such alternative characterization and the consequences thereof. The Issuer will agree and, by their purchase of the Notes, holders and beneficial owners of the Notes will be deemed to have agreed, to treat the Notes as debt for U.S. Federal income tax purposes.

Commitment Fee. The Commitment Fee paid on a Class A-1S Note will be includible in the gross income of a U.S. holder in accordance with its regular method of tax accounting. The Commitment Fee paid on a Class A-1S Note will be ordinary income.

Interest, Discount or Premium on the Notes. In general, a U.S. holder of a debt instrument is required to include payments of qualified stated interest (*i.e.*, interest which is unconditionally payable at least annually at a single fixed rate or at a floating rate that meets certain requirements) received thereon, in accordance with such holder's method of accounting, as ordinary interest income generally from sources outside the United States. If, however, the Issue Price of the debt instrument is less than the "Stated Redemption Price at Maturity" (as defined below) of such debt instrument by more than a *de minimis* amount, a U.S. holder will be considered to have purchased such debt instrument with original issue discount ("OID"). The "Stated Redemption Price at Maturity" is the sum of all payments to be received on the debt instrument other than payments of qualified stated interest. If a U.S. holder acquires a debt instrument with OID, then, regardless of such holder's method of accounting, the holder will be required to accrue OID on a constant yield basis and include such accruals in gross income without regard to the timing of actual payments.

It is not anticipated that the Class A-1S Notes, the Class A-1J Notes, the Class A-2 Notes, the Class B-1 Notes, the Class B-2 Notes and the Class C Notes will be issued with OID. Therefore, U.S. holders of the Class A-1S Notes, the Class A-1J Notes, the Class A-2 Notes, the Class B-1 Notes, the Class B-2 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 interest payments could in certain situations be deferred on the Class D Notes and the Class E Notes and the Issuer has not been able to determine that the probability of such interest deferral is remote, all interest payable on such Notes and any discount attributable to the difference between the Issue Price and the stated principal amount of such Notes will be treated as OID. U.S. holders of such Notes will be required to accrue and include in gross income the sum of "daily portions" of total OID on a Class D Note or a Class E Note, as interest generally from sources outside the United States, for each day during the taxable year on which the U.S. holder held such Note, generally under a constant yield method, regardless of such U.S. holder's usual method of tax accounting and without regard to the timing of actual payments on such Note. The application of the OID rules to instruments such as the Notes is not entirely settled. The Issuer intends to accrue OID attributable to stated interest on such Notes over the entire term of such Notes with respect to the remaining principal amount thereof and any remaining discount through the non-call period. In accordance with this method, U.S. holders of the Class D Notes and the Class E Notes may be required to include in gross income increasingly greater amounts of OID and may be required to include OID in advance of the receipt of cash attributable to such income. Other methods of accruing OID on the Class D Notes or the Class E Notes may be accepted by the IRS or a court and U.S. holders should consult their own tax advisor regarding any other acceptable methodology in reporting such income.

Because the Class D Notes and the Class E-1 Notes provide for a floating rate of interest, the amount of OID to be accrued over the term of such Notes will be based initially on the assumption that the floating rate in effect for the first accrual period of such Notes will remain constant throughout their term. To the extent such rate varies with respect to any accrual period, such variation shall be reflected in an increase or decrease of the amount of OID accrued for such period. In addition, the accrual of OID on the Class D Notes or the Class E Notes may be subject to special rules that apply to debt instruments, the payments on which may be accelerated by reason of prepayments of obligations securing such debt instruments, which require the use of a prepayment assumption. As a result of the complexity of the OID rules, each U.S. holder of a Class D Note or a Class E Note should consult its own tax advisor regarding the impact of the OID rules on its investment in such Note.

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.

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

The following discussion regarding the tax treatment of an investment in Preference Shares is intended to apply to U.S. holders of such 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 "passive foreign investment company" (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 "qualified electing fund" (a "QEF") with respect to

such holder. Generally, a QEF election should 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 by filing IRS Form 8621 together with the U.S. holder's U.S. Federal income tax return. 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 (including realized gains upon sales of Collateral Debt Securities), whether or not distributed, assuming that the Issuer does not constitute a "controlled foreign corporation" in which the shareholder is a "U.S. Shareholder" (as defined below), as discussed below. A U.S. holder 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, any losses (including losses arising from credit event payments made by the Issuer under any Synthetic Security, which losses may be substantial) of the Issuer in a taxable year will not be available to such U.S. holder. 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 some of the Collateral Debt Securities may be purchased by the Issuer with original issue discount. As a result, the Issuer may recognize 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 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.

Upon request, 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.

The Issuer will invest in a significant amount of Collateral Debt Securities issued by other PFICs. While the Issuer generally intends to invest in such securities that the underlying PFIC issuers expect to treat as debt for U.S. Federal income tax purposes, it is possible that the IRS could recharacterize such Collateral Debt Securities as equity for U.S. Federal income tax purposes. In such event, a U.S. holder would have to make a separate QEF election with respect to each such underlying PFIC. The Issuer will provide, to the extent it receives the same, the information needed for U.S. holders to make such a QEF election. It is likely that the Issuer may not receive, and consequently, may not be able to provide U.S. holders with the information needed to make the necessary QEF election on a timely basis with respect to each such underlying PFIC. A U.S. holder's inability to make a timely QEF election with respect to each such underlying PFIC would likely result in significant adverse tax consequences to such U.S. holder as a result of the excess distribution rule and interest charge applicable as discussed below. U.S. holders are strongly urged consult their own tax advisors with respect to the potentially significant adverse 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 "controlled foreign corporation" 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 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.

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 controlled foreign corporation (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 are voting securities and that U.S. holders possessing 10% or more of the combined voting power of the Preference Shares 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 holder's 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 dividends 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 of the Preference Shares (or other equity for U.S. Federal income tax purposes) will generally be required to report to the IRS on Form 926 certain information relating to such holders' purchase of the Preference Shares at initial issuance. **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 subject to a maximum penalty equal to \$100,000 (except in cases of intentional disregard).** U.S. holders of Preference Shares are urged to consult with their own tax advisers 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 Securities generally will not be treated as resulting in UBTI, so long as such investor's acquisition of Offered Securities 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 Notes treated as debt should consider the application of the special UBTI rules for interest received from controlled entities. Tax-Exempt Investors should consult their own tax advisers regarding an investment in the Offered Securities.

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 Securities 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 Securities 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 Securities 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.

Tax Treatment of the Combination Securities

Although each Combination Security will be evidenced by a single security, the Issuer will treat, and by the purchase of a Combination Security, a holder or beneficial owner of a Combination Security agrees to treat, the Combination Security as consisting of separate ownership interests in the Class B-2 Notes and Class E-2 Notes represented by the Underlying Note Components underlying such Combination Securities for U.S. Federal income tax purposes. Thus, a holder or beneficial owner of a Combination Security will be treated as owning Class B-2 Notes to the extent of the Class B-2 Note Component and as owning Class E-2 Notes to the extent of the Class E-2 Note Component and a holder will be taxed accordingly as discussed above. In accordance with such treatment, a holder will need to allocate the purchase price paid for a Combination Security between the respective components of such security in proportion to the Underlying Note Components' relative fair market values at the time of acquisition. The holder's initial tax basis in each Underlying Note Component will equal the portion of the purchase

price of the Combination Security allocable to the Underlying Note Component. In addition, the exchange by a holder of a Combination Security for each of the Underlying Note Components making up such security should not be a taxable event for U.S. Federal income tax purposes. Prospective investors in Combination Securities should review the applicable discussion herein with respect to the U.S. Federal income tax consequences of the purchase, ownership and disposition of the Class B-2 Notes and the Class E-2 Notes.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires information reporting annually to the IRS and to each holder, and "backup withholding" with respect to certain payments made on or with respect to the Offered Securities. These requirements generally do not apply with respect to certain holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. Backup withholding will apply to a U.S. holder only if the U.S. holder (i) fails to furnish its Taxpayer Identification Number ("TIN"), which for an individual would be his or her Social Security Number, (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that it has failed to properly report payments of interest and dividends or (iv) under certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. The application for exemption is available by providing a properly completed IRS Form W-9. Each U.S. holder agrees that by such holder's or beneficial owner's acceptance of an Offered Security or an interest therein that such holder or beneficial owner will provide (or cause to be provided) to the Issuer (or the Trustee on behalf of the Issuer) or other applicable withholding agent a properly completed IRS Form W-9 signed under penalties of perjury.

A non-U.S. holder that provides the applicable IRS Form W-8BEN, IRS Form W-8IMY or other applicable form, together with all appropriate attachments, signed under penalties of perjury, identifying the non-U.S. holder and stating that the non-U.S. holder is not a United States person will not be subject to the IRS reporting requirements relating to U.S. withholding and backup withholding. In addition, IRS Form W-8BEN or other applicable form will be required from the beneficial owners of interests in a non-U.S. holder that is treated as a partnership (or as a trust of certain types) for U.S. Federal income tax purposes. Each non-U.S. holder agrees that by such holder's or beneficial owner's acceptance of an Offered Security or an interest therein that such holder or beneficial owner will provide (or cause to be provided) to the Issuer (or the Trustee on behalf of the Issuer) or other applicable withholding agent a properly completed IRS Form W-8BEN, IRS Form W-8IMY or other applicable form signed under penalties of perjury.

The payment of the proceeds on the disposition of an Offered Security by a holder to or through the U.S. office of a broker generally will be subject to information reporting and backup withholding unless the holder either certifies its status as a non-U.S. holder under penalties of perjury on the applicable IRS Form W-8BEN, IRS Form W-8IMY or other applicable form (as described above) or otherwise establishes an exemption. The payment of the proceeds on the disposition of an Offered Security by a non-U.S. holder to or through a non-U.S. office of a non-U.S. broker will not be subject to backup withholding or information reporting unless the non-U.S. broker is a "U.S. Related Person." The payment of proceeds on the disposition of an Offered Security by a non-U.S. holder to or through a non-U.S. office of a U.S. broker or a U.S. Related Person generally will not be subject to backup withholding but will be subject to information reporting unless the holder certifies its status as a non-U.S. holder under penalties of perjury or the broker has certain documentary evidence in its files as to the non-U.S. holder's foreign status and the broker has no actual knowledge to the contrary.

For this purpose, a "U.S. Related Person" includes (i) a "controlled foreign corporation" for U.S. Federal income tax purposes, (ii) a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment (or for such part of the period that the broker has been in existence) is derived from activities that are effectively connected with the conduct of a U.S. trade or business or (iii) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a U.S. trade or business.

Backup withholding is not an additional tax and may be refunded (or credited against the holder's U.S. Federal income tax liability, if any); *provided* that certain required information is furnished. The information reporting requirements may apply regardless of whether withholding is required. Copies of the information returns reporting

such interest and withholding also may be made available to the tax authorities in the country in which a non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement.

Tax Shelter Reporting Requirements

Pursuant to Treasury Regulations directed at tax shelter activity, taxpayers are required to disclose to the IRS certain information on IRS Form 8886 if they participate in a "reportable transaction." A transaction may be a "reportable transaction" based upon any of several indicia with respect to a holder, including the existence of significant book-tax differences or the recognition of a loss. A significant penalty will be imposed on taxpayers who participate in a "reportable transaction" and fail to make the required disclosure in tax returns and statements due after October 22, 2004. The penalty is generally \$10,000 for natural persons and \$50,000 for other persons (increased to \$100,000 and \$200,000, respectively, if the reportable transaction is a "listed" transaction). Investors should consult their own tax advisors concerning any possible disclosure obligation with respect to their investment in the Issuer and the penalty discussed above.

Cayman Islands Tax Considerations

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes, the Combination Securities and the Preference Shares. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws:

(a) payments of interest and principal on the Notes and Combination Securities and dividends and capital in respect of the Preference Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the Notes, Combination Securities or Preference Shares, as the case may be, nor will gains derived from the disposal of the Notes, Combination Securities or Preference Shares 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) certificates evidencing the Notes, Combination Securities and Preference Shares, in registered form, to which title is not transferable by delivery, should not attract Cayman Islands stamp duty. However, an instrument transferring title to a Note, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

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

Lenox CDO, 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 TWENTY years from the 18th day of October, 2005.

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 ADVISERS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF SUCH INVESTOR'S CIRCUMSTANCES.

ERISA CONSIDERATIONS

CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The United States Employee Retirement Income Security Act of 1974, as amended, ("ERISA") imposes certain duties on persons who are fiduciaries of employee benefit plans (as defined in Section 3(3) of ERISA) ("ERISA Plans") and of entities whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entities. These duties include investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and liquidity needs and all of the facts and circumstances of the investment, including the availability of a public market for the investment. In addition, certain U.S. Federal, state and local laws impose similar duties on fiduciaries of governmental and/or church plans that are not subject to ERISA.

Any fiduciary of an ERISA Plan, of an entity whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entity, or of a governmental or church plan that is subject to fiduciary standards similar to those of ERISA ("plan fiduciary"), that proposes to cause such a plan or entity to purchase Offered 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, United States Department of Labor regulations provide that the fiduciaries of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan's purposes, an examination of the risk and return factors, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan and the projected return of the total portfolio relative to the ERISA Plan's funding objectives. Before investing the assets of an ERISA Plan in Offered Securities, a fiduciary should determine whether such an investment is consistent with the foregoing regulations and its fiduciary responsibilities, including any specific restrictions to which such fiduciary may be subject.

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

Each of the Issuer, the Co-Issuer, the Initial Purchaser and the Collateral Manager as a result of their own activities or because of the activities of an affiliate, may be considered a Party In Interest or a Disqualified Person with respect to Plans. Accordingly, prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if Notes are acquired by a Plan with respect to which any of the Issuer, the Co-Issuer, the Initial Purchaser, the Collateral Manager, the obligors on the Collateral Debt Securities or any of their respective affiliates is a Party In Interest or Disqualified Person. In addition, if a Party In Interest or Disqualified Person with respect to a Plan owns or acquires a beneficial interest in the Issuer 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. Moreover, the acquisition or holding of Notes or other indebtedness issued by the Issuer or the Co-Issuer by or on behalf of a Party In Interest or Disqualified Person with respect to a Plan that owns or acquires a beneficial interest

in the Issuer or the Co-Issuer, as the case may be, also could give rise to an indirect prohibited transaction. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire an Offered Security and the circumstances under which such decision is made. Included among these exemptions are PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14, regarding transactions effected by a "qualified professional asset manager"; PTE 96-23, regarding investments by certain in-house asset managers; and PTE 95-60, regarding investments by insurance company general accounts. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. If a purchase of Offered Securities were to be a non-exempt prohibited transaction, the purchase might have to be rescinded.

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

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

There is little pertinent authority in this area. However, it is not anticipated that the either the Notes or the Combination Securities will constitute "equity interests" in the Co-Issuers. It should be noted that the debt treatment of the Notes or Combination Securities for ERISA purposes could change subsequent to their issuance (i.e. they could be treated as equity) if the Issuer incurs losses or the rating of such Notes changes. The risk of recharacterization is enhanced for subordinate classes of Notes or Combination Securities.

It is intended that the ownership interests in the Preference Shares that are held by Benefit Plan Investors will be maintained at a level below the 25% Threshold held by Controlling Persons, such as the Preference Shares held by an Affiliate of the Collateral Manager) by limiting the aggregate amount of Preference Shares that may be acquired by Benefit Plan Investors on the Closing Date to below the 25% Threshold. In this regard, each Original Purchaser of Preference Shares will be required to provide information in the Investor Application Form pursuant to which such Preference Shares were purchased and from time to time thereafter as to what portion, if any, of the funds it is using to purchase and hold Preference Shares is comprised of assets of a Benefit Plan Investor and whether or not it is a Controlling Person. No Preference Shares may be transferred to Benefit Plan Investors or a Controlling Person after the Closing Date. Any subsequent transferee that acquires Preference Shares or will be required to represent as to similar matters in a transfer certificate or purchaser and transferee letter delivered to the Preference Share Registrar in connection with such transfer. In particular, each owner of an interest in a Definitive Preference Share will be required to execute and deliver to the Issuer and the Preference Share Registrar 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, the Collateral Manager or the Preference Share Paying Agent may reasonably require to confirm that the proposed transfer substantially complies with the transfer restrictions contained in the Issuer Charter and the Preference Share Paying Agency

Agreement and that any subsequent transferee shall not be a Benefit Plan Investor or a Controlling Person. In addition, each transferee of an interest in a Regulation S Global Preference Share will be required to execute and deliver to the Issuer, the Preference Share Paying Agent and the Preference Share Registrar a letter in the form attached as Exhibit A hereto to the effect that, among other things, it is not a Benefit Plan Investor or a Controlling Person and including the requirement that it will, prior to any sale, pledge or other transfer by it of such interest, obtain from the transferee a duly executed letter to the same effect. The Preference Share Documents provide that, if, notwithstanding the restrictions contained herein, the Issuer determines that any holder of a Preference Share or an interest is or becomes a Benefit Plan Investor or a Controlling Person and did not disclose in an Investor Application Form (or a transfer certificate) that it was a Benefit Plan Investor or a Controlling Person (or, in the case of Regulation S Global Preference Shares, represented that it was not a Benefit Plan Investor), the Issuer shall require, by notice to such holder that such holder sell all of its right, title and interest to such Preference Share (or interest therein) to a Person that is not a Benefit Plan Investor or (other than as provided in the Preference Share Paying Agency Agreement) 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, the Preference Share Paying Agent shall, and is hereby irrevocably authorized by such holder to, cause such holder's interest in the Preference Share to be transferred in a commercially reasonable sale arranged by the Issuer (conducted by the Preference Share Paying Agent in accordance with Section 9-610(b) of the UCC as in effect in the State of New York as applied to securities that are sold on a recognized market or 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 Regulation S Global Preference Share) or (ii) is both a Qualified Institutional Buyer and a Qualified Purchaser (in the case of a Restricted Preference Share) and (iii) in all cases, is not a Benefit Plan Investor or (other than as provided in the Preference Share Paying Agency Agreement) a Controlling Person, and (y) pending such transfer, no further payments will be made in respect of the interest in such Preference Shares held by such holder, and the interest in such Preference Shares shall not be deemed to be outstanding for the purpose of any vote or consent of the Holders of the Preference Shares.

Although each such owner will be required to indemnify the Issuer for the consequences of any breach of such obligations, there is no assurance that an owner will not breach such 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, including non-compliance with the 25% Threshold.

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, 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 payable to the Collateral Manager might be considered to be a non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code. Moreover, if the underlying assets of the Issuer were deemed to be assets constituting plan assets, (i) the assets of the Issuer could be subject to ERISA's reporting and disclosure requirements, (ii) a fiduciary causing a Benefit Plan Investor to make an investment in the equity of the Issuer could be deemed to have delegated its responsibility to manage the assets of the Benefit Plan Investor, (iii) various providers of fiduciary or other services to the Issuer, and any other parties with authority or control with respect to the Issuer, could be deemed to be Plan fiduciaries or otherwise Parties in Interest or Disqualified Persons by virtue of their provision of such services, and (iv) it is not clear that Section 404(b) of ERISA, which generally prohibits plan fiduciaries from maintaining the indicia of ownership of assets of plans subject to Title I of ERISA outside the jurisdiction of the district courts of the United States, would be satisfied in all instances.

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

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A NOTE OR AN INTEREST THEREIN WILL BE REQUIRED TO CERTIFY (OR IN CERTAIN CIRCUMSTANCES DEEMED TO REPRESENT AND WARRANT) EITHER THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS ANY NOTE OR ANY

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

EACH ORIGINAL PURCHASER OF A PREFERENCE SHARE WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. AN ORIGINAL PURCHASER OF A PREFERENCE SHARE MAY BE A BENEFIT PLAN INVESTOR BUT ONLY TO THE EXTENT THAT SUCH BENEFIT PLAN INVESTOR CAN CERTIFY THAT ITS INVESTMENT IN PREFERENCE SHARES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED AND ONLY TO THE EXTENT THAT LESS THAN 25% OF THE VALUE OF THE PREFERENCE SHARES (EXCLUDING THE VALUE OF THE PREFERENCE SHARES HELD BY CONTROLLING PERSONS) WOULD BE HELD BY BENEFIT PLAN INVESTORS. EACH OWNER OF A PREFERENCE SHARE WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE PREFERENCE SHARE PAYING AGENT A LETTER IN THE FORM ATTACHED AS AN EXHIBIT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT TO THE EFFECT THAT SUCH OWNER WILL NOT TRANSFER SUCH PREFERENCE SHARES EXCEPT IN COMPLIANCE WITH THE TRANSFER RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, IN EACH CASE, INCLUDING THE REQUIREMENT THAT ANY SUBSEQUENT TRANSFEREE EXECUTE AND DELIVER SUCH LETTER AS A CONDITION TO ANY SUBSEQUENT TRANSFER AND INCLUDING THE REQUIREMENT THAT NO PREFERENCE SHARES MAY BE TRANSFERRED TO BENEFIT PLAN INVESTORS OR A CONTROLLING PERSON AFTER THE CLOSING DATE. THE PREFERENCE SHARE DOCUMENTS PERMIT THE ISSUER TO REQUIRE THAT ANY PERSON ACQUIRING PREFERENCE SHARES (OR A BENEFICIAL INTEREST THEREIN) AFTER THE INITIAL SALE OF THE PREFERENCE SHARES WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON SELL SUCH PREFERENCE SHARES (OR A BENEFICIAL INTEREST THEREIN) TO A PERSON WHO IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND WHO MEETS ALL OTHER APPLICABLE TRANSFER RESTRICTIONS AND, IF SUCH HOLDER DOES NOT COMPLY WITH SUCH DEMAND WITHIN 30 DAYS THEREOF, THE ISSUER MAY SELL SUCH HOLDER'S INTEREST IN SUCH PREFERENCE SHARES.

EACH HOLDER OF A COMBINATION SECURITY WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH COMBINATION SECURITY OR AN INTEREST THEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH COMBINATION SECURITY OR AN INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF ERISA, THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE CODE, THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF

THE CODE, AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. §2510.3-101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY SIMILAR LAW, OR (B) ITS ACQUISITION AND HOLDING OF THIS COMBINATION SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR FROM THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SIMILAR FEDERAL, STATE OR LOCAL LAW). COMBINATION SECURITIES AND ANY BENEFICIAL INTEREST THEREIN MAY BE TRANSFERRED ONLY IN THE PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN A COMBINATION SECURITY MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

ANY PLAN FIDUCIARY THAT PROPOSES TO CAUSE A PLAN TO PURCHASE OFFERED SECURITIES SHOULD CONSULT WITH ITS OWN LEGAL AND TAX ADVISORS WITH RESPECT TO THE POTENTIAL APPLICABILITY OF ERISA AND THE CODE TO SUCH INVESTMENTS, THE CONSEQUENCES OF SUCH AN INVESTMENT UNDER ERISA AND THE CODE AND THE ABILITY TO MAKE THE REPRESENTATIONS DESCRIBED ABOVE. MOREOVER, EACH PLAN FIDUCIARY SHOULD DETERMINE WHETHER, UNDER THE GENERAL FIDUCIARY STANDARDS OF ERISA, AN INVESTMENT IN THE OFFERED 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. NO TRANSFER OF A PREFERENCE SHARE WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE PAYING AGENT WILL RECOGNIZE ANY SUCH TRANSFER IF SUCH TRANSFER IS TO A BENEFIT PLAN INVESTOR.

It should be noted that an insurance company's general account and a wholly owned subsidiary of an insurance company 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 a wholly owned subsidiary of its general account should consider such purchase and the insurance company's ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and 29 C.F.R. §2550.401.

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

PLAN OF DISTRIBUTION

The Issuer and the Initial Purchaser will enter into a Purchase Agreement (the "Purchase Agreement") relating to the purchase and sale of the Offered Securities to be delivered on the Closing Date. In the Purchase Agreement, the Co-Issuers will agree to sell to the Initial Purchaser, and the Initial Purchaser will agree to purchase, the entire principal amounts of the Class A-1S Notes, the Class A-1J Notes, the Class A-2 Notes, the Class B-1 Notes, the Class B-2 Notes, the Class C Notes, the Class D Notes, the Class E-1 Notes, the Class E-2 Notes and a portion of the Preference Shares. The Offered Securities will be offered by the Initial Purchaser to prospective investors from time to time in individually negotiated transactions at varying prices to be determined at the time of sale. A portion of the Preference Shares will be offered by the Issuer to a prospective investor in an individually negotiated transaction at a price to be determined at the time of sale, and the Initial Purchaser will not act as the placement agent for such Preference Shares. The Initial Purchaser reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. 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 which the Initial Purchaser may be required to make in respect thereof. The Offered Securities are offered when, as and if issued by the Co-Issuers, subject to prior sale, withdrawal, cancellation or modification of the offer without notice.

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

CERTAIN SELLING RESTRICTIONS

United States

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

- (1) In the Purchase Agreement, the Initial Purchaser will represent and agree that it has not offered or sold Offered Securities and will not offer or sell Offered Securities except to persons who are not U.S. Persons in accordance with Rule 903 of Regulation S or as provided in clause (2) below. Accordingly, the Initial Purchaser will represent and agree that neither it, its affiliates (if any) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to Offered Securities, and it and they have complied and will comply with the offering restrictions requirements of Regulation S.
- (2) In the Purchase Agreement, the Initial Purchaser will agree that it will not, acting either as principal or agent, offer or sell any Offered Securities in the United States other than Offered Securities in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Offered Securities (or approve the resale of any of such Offered Securities):
 - (a) except (1) inside the United States through a U.S. broker dealer that is registered under the Exchange Act to investors each of which the Initial Purchaser reasonably believes is a Qualified Institutional Buyer or an Accredited Investor that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the risks of investing in the Offered Securities (or is represented by a fiduciary or agent with sole investment discretion having such knowledge and experience) that is also a Qualified Purchaser or (2) otherwise in accordance with the restrictions on transfer set forth in such Offered Securities, the Purchase Agreement and this Offering Circular and, with respect to the Class A-1 Notes, the Class A-1 Notes Supplement; or

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

Prior to the sale of any Offered Securities in registered form bearing a restrictive legend thereon, the Initial Purchaser shall have provided each offeree that is a U.S. Person with a copy of the Offering Circular in the form the Issuer and the Initial Purchaser shall have agreed most recently shall be used for offers and sales in the United States.

- (3) In the Purchase Agreement, the Initial Purchaser will represent and agree that in connection with each sale to an Accredited Investor it has taken or will take reasonable steps to ensure that the purchaser is aware that the Offered Securities have not been and will not be registered under the Securities Act and that transfers of Offered Securities are restricted as set forth herein.

United Kingdom

The Initial Purchaser will also represent and agree as follows:

- (1) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000) (the "FSMA") with respect to anything done by it in relation to the Offered Securities 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer.

Cayman Islands

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

General

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

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

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

CLEARING SYSTEMS

Global Securities and Global Combination Securities

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

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

Payments or Distributions

Payments or distributions on an individual Global Security or Global Combination Security (as the case may be) registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the case may be, as the registered owner of the Global Security or Global Combination Security. Except for the responsibilities of the Transfer Agent with respect to the Class A-1 Notes described in the Class A-1 Notes Supplement, none of the Issuer, the Trustee, the Collateral Manager, the Note Registrar, the Preference Share Paying Agent, the Combination Note Registrar and any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Securities or Global Combination Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

Transfers and Exchanges for Definitive Securities

Interests in a Global Security will be exchangeable or transferable, as the case may be, for a Definitive Security if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Security, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuer within 90 days, (c) the transferee of an interest in such Global Security is required by law to take physical delivery of securities in definitive form, (d) in the case of a Global Note, there is an Event of Default under the

Notes or (e) the transferee is otherwise unable to pledge its interest in a Global Security. Because DTC can only act on behalf of Participants, which in turn act on behalf of indirect Participants and certain banks, the ability of a person having a beneficial interest in a Global Security to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may require that such interest in a Global Security be exchanged for a Definitive Security.

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

Cross-Border Transfers and Exchanges

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

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

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

DTC, Euroclear and Clearstream

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

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

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

TRANSFER RESTRICTIONS

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

Representations by Original Purchaser

Each Original Purchaser of Offered Securities (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 purchaser of a Preference Share, by its execution of an Investor Application Form, or a Combination Security acknowledges, represents and warrants to and agrees with the Issuer and the Initial Purchaser, as follows:

- (1) *No Governmental Approval.* The purchaser understands that the Offered Securities have not been approved or disapproved by the SEC or any other governmental authority or agency of any jurisdiction and that neither the SEC nor any other governmental authority or agency has passed upon the accuracy or adequacy of this Offering Circular. The purchaser further understands that any representation to the contrary is a criminal offense.
- (2) *Certification Upon Transfer.* If required by the Indenture or the Preference Share Documents, the purchaser will, prior to any sale, pledge or other transfer by it of any Offered Security (or any interest therein), deliver to the Issuer and the Note Registrar (or, in the case of a Preference Share, the Preference Share Paying Agent, or in the case of a Combination Security, the Combination Security Registrar) duly executed transferor and transferee certifications in the form of the relevant exhibit to the Indenture or attached hereto as Exhibit A, as applicable, and such other certificates and other information as the Issuer, the Trustee (in the case of the Notes and the Combination Securities) or the Preference Share Paying Agent (in the case of the Preference Shares) may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular and in the Indenture or the Preference Share Documents, as applicable. In addition, a transferee of a beneficial interest in a Class A-1 Note will be required to comply with the certification requirements described in the Class A-1 Notes Supplement.
- (3) *Minimum Denomination or Number.* The purchaser agrees that no Offered Security (or any interest therein) may be sold, pledged or otherwise transferred in a denomination of less than the applicable minimum denomination set forth herein (in the case of the Notes) or in a number less than the applicable minimum trading lot set forth herein (in the case of the Preference Shares).
- (4) *Securities Law Limitations on Resale.* The purchaser understands that the Offered Securities have not been registered under the Securities Act and, therefore, cannot be offered or sold in the United States or to U.S. Persons unless they are registered under the Securities Act or unless an exemption from registration is available and that the certificates representing the Offered Securities will bear a legend setting forth such restriction. The purchaser understands that neither the Issuer nor (in the case of the Notes) the Co-Issuer has any obligation to register the Offered Securities under the Securities Act or to comply with the requirements for any exemption from the registration requirements of the Securities Act (other than to supply information specified in Rule 144A(d)(4) of the Securities Act as required by the Indenture).
- (5) *Investment Intent.* In the case of a purchaser of a Restricted Security (or any interest therein), it is a Qualified Institutional Buyer or an Accredited Investor, that in each case is a Qualified Purchaser, and it is acquiring such Restricted Security for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). In the case of a purchaser of a Regulation S Security (or any interest therein), it is not a U.S. Person and is purchasing such Regulation S Security (or interest therein) for its own account and not for the account or benefit of a U.S. Person in an offshore transaction in accordance with Regulation S.
- (6) *Purchaser Sophistication; Non-Reliance; Suitability; Access to Information.* The purchaser (a) has such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the

merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in Offered Securities, (b) is financially able to bear such risk, (c) in making such investment, is not relying on the advice or recommendations of the Initial Purchaser, the Issuer, the Co-Issuer, the Collateral Manager or any of their respective affiliates or representatives and (d) has determined that an investment in Offered Securities is suitable and appropriate for it. The purchaser has received and reviewed the contents of this Offering Circular. The purchaser has had access to such financial and other information concerning the Issuer and the Offered Securities as it has deemed necessary to make its own independent decision to purchase Offered Securities, including the opportunity, at a reasonable time prior to its purchase of Offered Securities, to ask questions and receive answers concerning the Issuer, the Co-Issuer and the terms and conditions of the offering of the Offered Securities.

- (7) *Certain Resale Limitations.* The purchaser is aware that no Offered Security (nor any interest therein) may be offered or sold, pledged or otherwise transferred:
- (a) in the United States or to a U.S. Person, except to a transferee (i)(A) whom the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (B) solely in the case of a Restricted Definitive Preference Share, an Accredited Investor, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on an exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) that is a Qualified Purchaser;
 - (b) to a transferee acquiring an interest in a Regulation S Global Security or a Regulation S Global Combination Security except to a transferee that is not a U.S. Person and is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S;
 - (c) solely in the case of Preference Shares, after the Closing Date, to a transferee who is a Benefit Plan Investor or a Controlling Person; or
 - (d) except in compliance with the other requirements set forth in the Indenture and/or the Preference Share Documents (as applicable) and in accordance with any other applicable securities laws of any relevant jurisdiction.

Without limiting the foregoing, each transferee of a Class A-1 Note (or interest therein) will be deemed to have acknowledged and agreed to the representations and transfer restrictions in the Class A-1 Notes Supplement.

- (8) *Limited Liquidity.* The purchaser understands that there is no market for the Offered Securities and that there can be no assurance that a secondary market for any of the Offered Securities will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity of investment or that it will continue for the life of the Offered Securities. It further understands that, although the Initial Purchaser may from time to time make a market in one or more Classes of Notes or Preference Shares, the Initial Purchaser is under no obligation to do so and, following the commencement of any market-making, may discontinue the same at any time. Accordingly, the purchaser must be prepared to hold its Offered Securities for an indefinite period of time or until the applicable Stated Maturity (or, in the case of the Preference Shares, the winding-up of the Issuer).
- (9) *Investment Company Act.* The purchaser either (a) is not a U.S. Person or (b) is a Qualified Purchaser. The purchaser agrees that no sale, pledge or other transfer of an Offered Security (or any interest therein) may be made (i) to a transferee acquiring a Restricted Security or a Restricted Definitive Combination Security (or any interest therein) except to a transferee that is a Qualified Purchaser, (ii) to a transferee acquiring a Regulation S Security or a Regulation S Combination Security (or any interest therein) except to a

transferee that is not a U.S. Person or (iii) if such transfer would have the effect of requiring either of the Co-Issuers or the Collateral to be registered as an investment company under the Investment Company Act. If the purchaser is a U.S. Person that is an entity that would be an investment company but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (any such entity, an "excepted investment company") (a) all of the beneficial owners of outstanding securities (other than short-term paper) of such entity (such beneficial owners determined in accordance with Section 3(c)(1)(A) of the Investment Company Act) that acquired such securities on or before April 30, 1996 ("pre-amendment beneficial owners") and (b) all pre-amendment beneficial owners of the outstanding securities (other than short-term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such entity, have consented to such entity's treatment as a Qualified Purchaser in accordance with the Investment Company Act.

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

In the case of an initial purchaser of Preference Shares except as otherwise disclosed in the Investor Application Form, the purchaser is not (i) a "Benefit Plan Investor," as defined in the Plan Asset Regulation issued by the United States Department of Labor, 29 C.F.R. §2510.3-101(f) (a "Benefit Plan Investor") or (ii) a person other than a Benefit Plan Investor who has discretionary authority or control with respect to the assets of the Issuer or provides investment advice with respect to the assets of the Issuer for a fee, direct or indirect, or an affiliate of any such person (a "Controlling Person"). The Issuer will not permit an Original Purchaser of a Preference Share to be a Benefit Plan Investor unless less than 25% of the value of the Preference Share (excluding the value of the Preference Shares held by Controlling Persons) are held by Benefit Plan Investors. If an initial purchaser of a Preference Share is a Benefit Plan Investor that is subject to Title I of ERISA, Section 4975 of the Code or any Similar law, it represents and warrants that its acquisition and holding of Preference Shares, as the case may be, will not result in a non-exempt "prohibited transaction" under the foregoing provisions of ERISA and the Code or a violation of any Similar Law. Each initial purchaser further understands and agrees that the information supplied above will be utilized to determine whether Benefit Plan Investors own less than 25% of the value of the Preference Shares (excluding the value of the Preference Shares held by Controlling Persons).

In the case of a purchaser of a Preference Share, such purchaser understands that the Preference Share Documents and the Indenture, as applicable, permit the Issuer to require that any person acquiring Preference Shares (or a beneficial interest therein) after the Closing Date who is determined to be a Benefit Plan Investor or a Controlling Person to sell such Preference Shares (or a beneficial interest therein) to a person who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in such Preference Shares.

Each purchaser of a Preference Share understands and agrees that no sale, pledge or other transfer of a Preference Share may be made after the Closing Date to a Benefit Plan Investor or a Controlling Person. Each Original Purchaser and each transferee of an interest in a Regulation S Global Preference Share will be required to deliver a letter in the form of Exhibit A hereto.

In addition, if the purchaser of an Offered Security is, or is acting on behalf of, a Plan subject to Title I of ERISA or an employee benefit plan that is not subject to Title I of ERISA but is subject to provisions of a Similar Law, the fiduciaries of such Plan or such employee benefit plan, as applicable, represent and

warrant that they have been informed of and understand the Issuer's investment objectives, policies and strategies and that the decision to invest such Plan's assets or such employee benefit plan's assets, as the case may be, in Offered Securities was made with appropriate consideration of relevant investment factors with regard to such Plan or such employee benefit plan, as the case may be, and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under such Similar Law.

- (11) *Limitations on Flow-Through Status.* The purchaser is (a) not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (b) if it is a Qualifying Investment Vehicle, (x) it has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Offered Securities) and (y) either (1) none of the beneficial owners of its securities is a U.S. Person or (2) some or all of the beneficial owners of its securities are U.S. Persons and each such beneficial owner has certified to the purchaser that such owner is a Qualified Purchaser. A purchaser is a "Flow-Through Investment Vehicle" if: (i) in the case of a purchaser that would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, the amount of the purchaser's investment in the Offered Securities exceeds 40% of the total assets (determined on a consolidated basis with its subsidiaries) of the purchaser, (ii) any person owning any equity or similar interest in the purchaser has the ability to control any investment decision of the purchaser (other than a general partner or similar entity) or to determine, on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser, (iii) the purchaser was organized or reorganized for the specific purpose of acquiring any Offered Securities or (iv) additional capital or similar contributions were specifically solicited from any person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase Offered Securities. A "Qualifying Investment Vehicle" means an entity as to which all of the beneficial owners of any securities issued by such entity have made, and as to which (in accordance with the document pursuant to which such entity was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make each of the representations set forth in this Offering Circular and (where applicable) an Investor Application Form and/or the transfer certificate pursuant to which such Offered Securities were transferred to such entity (in each case, with appropriate modifications to reflect the indirect nature of the interests of such beneficial owners in the Offered Securities).
- (12) *Certain Transfers Void.* The purchaser agrees that (a) any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of the transfer restrictions contained in this Offering Circular and the Indenture or the Preference Share Documents, as applicable, or made based upon any false or inaccurate representation made by the purchaser or a transferee to the Issuer, will be void and of no force or effect and (b) none of the Issuer, the Co-Issuer, the Trustee, the Collateral Manager and the Note Registrar (in the case of the Notes), neither the Issuer nor the Preference Share Paying Agent (in the case of the Preference Shares) and none of the Issuer, the Trustee, the Collateral Manager and the Combination Security Registrar (in the case of the Combination Securities) has any obligation to recognize any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation.

The purchaser 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 a Regulation S Combination Security (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 Restricted Combination Security (or any interest therein) is not both a Qualified Institutional Buyer (unless such beneficial owner is an Accredited Investor that purchased such Restricted Note (or any interest therein) or Restricted Combination Security (or any interest therein) directly from the Co-Issuers or the Initial Purchaser) and also a Qualified Purchaser, then the Co-Issuers shall require, by notice to such beneficial owner or holder, that such beneficial owner or holder sell all of its right, title and interest to such Note or Combination Security (or any interest therein) to a person that (1) is not a U.S. Person (in the case of a Person acquiring its interest through a Regulation S Note or a Regulation S Combination Security) or (2) in the case of a Person acquiring its interest through a Restricted Note or a Restricted Combination Security, is both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after

notice of such sale requirement is given. If such beneficial owner or holder fails to effect the transfer required within such 30-day period, (i) upon direction from the Issuer, the Trustee, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's or holder's interest in such Note or Combination Security to be transferred in a commercially reasonable sale (conducted by the Trustee 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 Trustee and the Co-Issuers, in connection with such transfer, that such person (A) is not a U.S. Person (in the case of a Person acquiring its interest through a Regulation S Note or Regulation S Combination Security) or (B) in the case of a person acquiring an interest through a Restricted Note or Restricted Combination Security, is both a Qualified Institutional Buyer and a Qualified Purchaser and (ii) pending such transfer, no further payments will be made in respect of such Note (or beneficial interest therein) or Combination Security held by such beneficial owner.

The Preference Share Documents provide that if, notwithstanding the restrictions contained therein, the Issuer determines that any beneficial owner of a Preference Share or an interest therein (x) is or becomes a Benefit Plan Investor or a Controlling Person and did not disclose in an Investor Application Form (or a transfer certificate) that it was a Benefit Plan Investor or a Controlling Person (or, in the case of Regulation S Global Preference Shares, represented that it was not a Benefit Plan Investor), (y) is a U.S. Person (in the case of a Regulation S Global Preference Share) or (z) is not both (i) a Qualified Institutional Buyer or an Accredited Investor and (ii) a Qualified Purchaser (in the case of a Restricted Preference Share), the Issuer shall require, by notice to such holder, that such holder sell all of its right, title and interest to such Preference Share (or interest therein) to a Person that (1) is not a U.S. Person (in the case of a person acquiring an interest through a Regulation S Global Preference Share) or (2) is both a Qualified Institutional Buyer and a Qualified Purchaser (in the case of a person acquiring an interest through a Restricted Preference Share) and (3) in all cases, is not a Benefit Plan Investor or (other than as provided in the Preference Share Paying Agency Agreement) a Controlling Person, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (x) upon written direction from the Issuer, the Preference Share Paying Agent shall, and is hereby irrevocably authorized by such beneficial owner to, cause such beneficial owner's interest in the Preference Share to be transferred in a commercially reasonable sale arranged by the Issuer (conducted by the Preference Share Paying Agent in accordance with Section 9-610(b) of the UCC as in effect in the State of New York as applied to securities that are sold on a recognized market or 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 acquiring an interest through a Regulation S Global Preference Share) or (ii) is both a Qualified Institutional Buyer and a Qualified Purchaser (in the case of a person acquiring an interest through a Restricted Preference Share) and (iii) in all cases, is not a Benefit Plan Investor or (other than as provided in the Preference Share Paying Agency Agreement) a Controlling Person, and (y) pending such transfer, no further payments will be made in respect of the interest in such Preference Shares held by such holder, and the interest in such Preference Shares shall not be deemed to be outstanding for the purpose of any vote or consent of the Holders of the Preference Shares.

- (13) *Reliance on Representations, etc.* The purchaser acknowledges that the Issuer, the Co-Issuer, the Initial Purchaser, the Trustee, the Collateral Manager, the Note Registrar, the Preference Share Paying Agent, the Combination Security Registrar and others (as applicable) will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made by it in connection with its purchase of the Offered Securities are no longer accurate, the purchaser will promptly notify the Issuer and the Initial Purchaser.
- (14) *Cayman Islands.* The purchaser is not a member of the public in the Cayman Islands.
- (15) *Tax Treatment.* The purchaser agrees that it is its intent, and acknowledges that it is the intent of the Issuer, to treat the Notes as debt of the Issuer and the Preference Shares as equity in the Issuer and the Combination Securities as direct ownership of the underlying Notes for U.S. Federal, state and local income and franchise tax purposes. The purchaser further agrees to such treatment, to report all income (or

loss) in accordance with such treatment and not to take any action inconsistent with such treatment unless otherwise required by any taxing authority under applicable law.

- (16) *Legend.* Each purchaser of a Note (or any beneficial interest therein) understands and agrees that a legend in substantially the following form will be placed on each Note unless otherwise determined by the Co-Issuers:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QUALIFIED INSTITUTIONAL BUYER") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT ("REGULATIONS"), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER OF THE CO-ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF A NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OR (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A "QUALIFIED PURCHASER" (ANY PERSON DESCRIBED IN CLAUSES (I) 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 TRANSFEREE THAT IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF ANY) ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO BELOW. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT THAT EITHER (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE, AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. § 2510.3-101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS ACQUISITION AND HOLDING OF THIS NOTE WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR FROM THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SIMILAR FEDERAL, STATE OR LOCAL LAW). THIS NOTE AND ANY

BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN THE PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE AND ONLY IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

In addition, the legend set forth on any Class A-1S Note will also have the following:

DURING THE COMMITMENT PERIOD, THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY BE HELD ONLY BY A PERSON WHICH HAS EXECUTED AND DELIVERED TO THE TRUSTEE THE CLASS A-1S NOTE PURCHASE AGREEMENT.

The legend set forth on any Restricted Global Note representing Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B-1 Notes, Class B-2 Notes, Class C Notes, Class D Notes, Class E-1 Notes and Class E-2 Notes will also have the following:

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THE INDENTURE, EITHER OF THE CO-ISSUERS DETERMINES THAT ANY BENEFICIAL OWNER OF A RESTRICTED NOTE (OR ANY INTEREST THEREIN) IS NOT BOTH (I) A QUALIFIED INSTITUTIONAL BUYER (OR, IN THE CASE OF THE INITIAL PURCHASER OF SUCH RESTRICTED NOTE OR INTEREST THEREIN, AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT); PROVIDED THAT SUCH "ACCREDITED INVESTOR" IS NOT A NATURAL PERSON, ESTATE OR TRUST AND (II) A QUALIFIED PURCHASER, THEN EITHER OF THE CO-ISSUERS MAY REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH RESTRICTED NOTE (OR INTEREST THEREIN) TO A PERSON THAT IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (1) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST IN SUCH NOTE TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(b) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE CO-ISSUERS AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER AND (2) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH NOTE (OR INTEREST THEREIN) HELD BY SUCH BENEFICIAL OWNER AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE BENEFICIAL OWNERS OF THE NOTES.

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

The legend set forth on any Regulation S Global Note representing Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B-1 Notes, Class B-2 Notes, Class C Notes, Class D Notes, Class E-1 Notes and Class E-2 Notes will also have the following:

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THIS NOTE OR THE INDENTURE, THE ISSUER DETERMINES THAT ANY BENEFICIAL OWNER OF A REGULATION S NOTE (OR ANY INTEREST THEREIN) IS A "U.S. PERSON" WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, THEN THE ISSUER SHALL REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH NOTE (OR INTEREST THEREIN) TO A PERSON THAT IS NOT A U.S. PERSON WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (1) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST IN SUCH NOTE TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(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 IS NOT A U.S. PERSON AND (2) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH NOTE (OR INTEREST THEREIN) HELD BY SUCH BENEFICIAL OWNER, AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE NOTES.

THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY NOT BE HELD BY A U.S. PERSON AT ANY TIME.

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

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

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

Accordingly, the legend set forth on the Class D Notes and Class E Notes will also have the following:

THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THIS NOTE MAY BE OBTAINED BY WRITING TO: DIRECTOR, STRUCTURED CREDIT PRODUCTS GROUP, MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATED, (NORTH TOWER), 4 WORLD FINANCIAL CENTER, 7TH FLOOR, NEW YORK, NEW YORK 10080.

- (17) *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 unless otherwise determined by the Issuer:

THE PREFERENCE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QUALIFIED INSTITUTIONAL BUYER") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT ("REGULATIONS") OR (3) TO A PERSON WHO IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT; PROVIDED THAT SUCH "ACCREDITED INVESTOR" IS NOT A NATURAL PERSON, ESTATE OR TRUST (AN "ACCREDITED INVESTOR"), IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER 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 THE CASE OF BOTH CLAUSES (A)(1) AND (A)(3), TO A PERSON THAT IS ALSO A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") AND THE RULES THEREUNDER, (C) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE ISSUER CHARTER AND THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN AND (D) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT. NO TRANSFER OF A PREFERENCE SHARE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OR (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A QUALIFIED PURCHASER (ANY PERSON DESCRIBED IN CLAUSES (I) AND (II), A "QUALIFIED PURCHASER"), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER IS MADE AFTER THE INITIAL SALE OF THE PREFERENCE SHARES TO A BENEFIT PLAN INVESTOR (AS DEFINED BELOW) OR TO A PERSON OTHER THAN A BENEFIT PLAN INVESTOR WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR PROVIDES INVESTMENT ADVICE WITH RESPECT TO THE ASSETS OF THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR IS AN AFFILIATE OF ANY SUCH PERSON (A "CONTROLLING PERSON"), (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A 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 WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE OR PURCHASER AND TRANSFEREE LETTER, AS APPLICABLE, ATTACHED AS AN EXHIBIT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN. IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, THE ISSUER DETERMINES THAT ANY BENEFICIAL OWNER OF A PREFERENCE SHARE OR AN INTEREST THEREIN (X) IS OR BECOMES A BENEFIT PLAN

INVESTOR OR A CONTROLLING PERSON AND DID NOT DISCLOSE IN AN INVESTOR APPLICATION FORM (OR A TRANSFER CERTIFICATE) THAT IT WAS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON (OR, IN THE CASE OF REGULATION S GLOBAL PREFERENCE SHARES, REPRESENTED THAT IT WAS NOT A BENEFIT PLAN INVESTOR), (Y) IS A U.S. PERSON (IN THE CASE OF A REGULATION S GLOBAL PREFERENCE SHARE) OR (Z) IS NOT BOTH (I) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (II) A QUALIFIED PURCHASER (IN THE CASE OF A RESTRICTED PREFERENCE SHARE), THE ISSUER SHALL REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH PREFERENCE SHARE (OR INTEREST THEREIN) TO A PERSON THAT (1) IS NOT A U.S. PERSON (IN THE CASE OF A PERSON ACQUIRING AN INTEREST THROUGH A REGULATION S GLOBAL PREFERENCE SHARE) OR (2) IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER (IN THE CASE OF A PERSON ACQUIRING AN INTEREST THROUGH A RESTRICTED PREFERENCE SHARE) AND (3) IN ALL CASES, IS NOT A BENEFIT PLAN INVESTOR OR (OTHER THAN AS PROVIDED IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT) A CONTROLLING PERSON, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE ISSUER, THE PREFERENCE SHARE PAYING AGENT SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH BENEFICIAL OWNER TO, CAUSE SUCH BENEFICIAL OWNER'S INTEREST IN THE PREFERENCE SHARE TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE ARRANGED BY THE ISSUER (CONDUCTED BY THE PREFERENCE SHARE PAYING AGENT IN ACCORDANCE WITH SECTION 9-610(b) OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR 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 ACQUIRING AN INTEREST THROUGH A REGULATION S GLOBAL PREFERENCE SHARE) OR (II) IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER (IN THE CASE OF A PERSON ACQUIRING AN INTEREST THROUGH A RESTRICTED PREFERENCE SHARE) AND (III) IN ALL CASES, IS NOT A BENEFIT PLAN INVESTOR OR (OTHER THAN AS PROVIDED IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT) A CONTROLLING PERSON, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN SUCH PREFERENCE SHARES HELD BY SUCH HOLDER, AND THE INTEREST IN SUCH PREFERENCE SHARES SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE PREFERENCE SHARES.

EACH ORIGINAL PURCHASER OF A PREFERENCE SHARE WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. AN ORIGINAL PURCHASER OF A PREFERENCE SHARE MAY BE A BENEFIT PLAN INVESTOR BUT ONLY TO THE EXTENT THAT SUCH BENEFIT PLAN INVESTOR CAN CERTIFY THAT ITS INVESTMENT IN PREFERENCE SHARES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED AND ONLY TO THE EXTENT THAT LESS THAN 25% OF THE VALUE OF THE PREFERENCE SHARES (EXCLUDING THE VALUE OF THE PREFERENCE SHARES HELD BY CONTROLLING PERSONS) WOULD BE HELD BY BENEFIT PLAN INVESTORS. [EACH TRANSFEROR AND TRANSFEREE OF A [RESTRICTED] PREFERENCE SHARE [IN DEFINITIVE FORM] 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.]¹ [EACH OWNER OF A REGULATION S GLOBAL

275clxxxvii clxxxvii clxxxvii clxxxvii 275275

¹ Applicable to Preference Shares that are in definitive form.

PREFERENCE SHARE WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE PREFERENCE SHARE PAYING AGENT A LETTER IN THE FORM ATTACHED AS AN EXHIBIT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT TO THE EFFECT THAT SUCH OWNER WILL NOT TRANSFER SUCH PREFERENCE SHARES EXCEPT IN COMPLIANCE WITH THE TRANSFER RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, INCLUDING THE REQUIREMENT THAT NO PREFERENCE SHARES MAY BE TRANSFERRED TO BENEFIT PLAN INVESTORS OR A CONTROLLING PERSON AFTER THE CLOSING DATE.]².

"BENEFIT PLAN INVESTOR" MEANS ANY (i) "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), WHETHER OR NOT SUBJECT TO TITLE I OF ERISA, INCLUDING, WITHOUT LIMITATION, GOVERNMENTAL PLANS, FOREIGN (NON-U.S.) PLANS AND CHURCH PLANS, (ii) "PLAN" (AS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE")), WHETHER OR NOT SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE, INCLUDING, WITHOUT LIMITATION, INDIVIDUAL RETIREMENT ACCOUNTS AND KEOGH PLANS OR (iii) ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY, INCLUDING, WITHOUT LIMITATION, AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT AND A WHOLLY OWNED SUBSIDIARY OF AN INSURANCE COMPANY GENERAL ACCOUNT.

The following shall be inserted in the case of Regulation S Global Preference Shares:

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

THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE REPRESENTS REGULATION S GLOBAL PREFERENCE SHARES DEPOSITED WITH DTC ACTING AS DEPOSITARY, AND REGISTERED IN THE NAME OF CEDE & CO., A NOMINEE OF DTC, AND CEDE & CO., AS HOLDER OF RECORD, SHALL BE ENTITLED TO RECEIVE ALL DISTRIBUTIONS, OTHER THAN THE FINAL REDEMPTION AMOUNTS, BY WIRE TRANSFER OF IMMEDIATELY AVAILABLE FUNDS. THE STATEMENTS IN THE LEGEND RELATING TO DTC SET FORTH ABOVE ARE AN INTEGRAL PART OF THE TERMS OF THESE PREFERENCE SHARES AND BY ACCEPTANCE THEREOF EACH HOLDER AGREES TO BE SUBJECT TO AND BOUND BY THE TERMS AND PROVISIONS SET FORTH IN SUCH LEGEND. UPON ANY SUCH EXCHANGE OR TRANSFER OF A BENEFICIAL INTEREST IN THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE FOR A DEFINITIVE PREFERENCE SHARE CERTIFICATE OR UPON ANY EXCHANGE OR TRANSFER OF A DEFINITIVE PREFERENCE SHARE CERTIFICATE FOR AN INTEREST IN THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE IN ACCORDANCE WITH THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE SHALL BE CANCELLED AND A NEW REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE WILL BE ISSUED AND REGISTERED IN THE NAME OF CEDE & CO., AS NOMINEE OF DTC, REFLECTING THE NUMBER OF PREFERENCE SHARES HELD IN REGULATION S GLOBAL FORM.

275clxxxviiiiclxviiiiclxviiiiclxviii275275_____

² Applicable to the Regulation S Global Preference Shares.

THIS PREFERENCE SHARE OR ANY BENEFICIAL INTEREST HEREIN MAY NOT BE HELD BY A U.S. PERSON AT ANY TIME.

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

THIS COMBINATION SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QUALIFIED INSTITUTIONAL BUYER") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT ("REGULATIONS"), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER OF THE CO-ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF A COMBINATION SECURITY (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE COMBINATION SECURITY REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OR (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A "QUALIFIED PURCHASER" (ANY PERSON DESCRIBED IN CLAUSES (I) 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 TRANSFEREE THAT IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF ANY) ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO BELOW. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT THAT EITHER (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS COMBINATION SECURITY OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS COMBINATION SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE, AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. § 2510.3-101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS ACQUISITION AND HOLDING OF THIS COMBINATION SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR FROM THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SIMILAR FEDERAL, STATE OR

LOCAL LAW). THIS COMBINATION SECURITY AND ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN THE PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS COMBINATION SECURITY MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THE INDENTURE, EITHER OF THE CO-ISSUERS DETERMINES THAT ANY BENEFICIAL OWNER OF A RESTRICTED COMBINATION SECURITY (OR ANY INTEREST THEREIN) IS NOT BOTH (I) A QUALIFIED INSTITUTIONAL BUYER (OR, IN THE CASE OF THE INITIAL PURCHASER OF SUCH RESTRICTED COMBINATION SECURITY OR INTEREST THEREIN, AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT); PROVIDED THAT SUCH "ACCREDITED INVESTOR" IS NOT A NATURAL PERSON, ESTATE OR TRUST AND (II) A QUALIFIED PURCHASER, THEN EITHER OF THE CO-ISSUERS MAY REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH RESTRICTED COMBINATION SECURITY (OR INTEREST THEREIN) TO A PERSON THAT IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (1) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST IN SUCH COMBINATION SECURITY TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(b) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE CO-ISSUERS AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER AND (2) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH COMBINATION SECURITY (OR INTEREST THEREIN) HELD BY SUCH BENEFICIAL OWNER AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE BENEFICIAL OWNERS OF THE COMBINATION SECURITIES .

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

The legend set forth on any Regulation S Global Combination Security will also have the following:

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THIS COMBINATION SECURITY OR THE INDENTURE, THE ISSUER DETERMINES THAT ANY BENEFICIAL OWNER OF A REGULATION S COMBINATION SECURITY (OR ANY INTEREST

THEREIN) IS A "U.S. PERSON" WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, THEN THE ISSUER SHALL REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH COMBINATION SECURITY (OR INTEREST THEREIN) TO A PERSON THAT IS NOT A U.S. PERSON WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (1) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST IN SUCH COMBINATION SECURITY TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(b) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK 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 IS NOT A U.S. PERSON AND (2) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH COMBINATION SECURITY (OR INTEREST THEREIN) HELD BY SUCH BENEFICIAL OWNER, AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE COMBINATION SECURITIES.

THIS COMBINATION SECURITY OR ANY BENEFICIAL INTEREST HEREIN MAY NOT BE HELD BY A U.S. PERSON AT ANY TIME.

The legend set forth on any Combination Security will also have the following:

THE CLASS E-2 NOTE UNDERLYING THIS COMBINATION SECURITY 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 THE UNDERLYING 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.

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

(19) Each purchaser understands that the Issuer may receive a list of participants holding positions in the Offered Securities from one or more book-entry depositaries, including DTC, Euroclear and Clearstream.

(20) *Class A-1 Notes.* Notwithstanding the foregoing restrictions, each Original Purchaser of Class A-1 Notes will be deemed to make the representations set forth in the Class A-1 Notes Supplement. The Class A-1 Notes Supplement will be delivered to each Original Purchaser of Class A-1 Notes. The legends in respect of the Class A-1 Notes will be further modified as described in the Class A-1 Notes Supplement.

Investor Representations on Resale

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

An owner of a beneficial interest in a Restricted Global Note (other than a Class A-1 Note) may transfer such interest in the form of a beneficial interest in such Restricted Global Note without the provision of written certification and an owner of a beneficial interest in a Regulation S Global Preference Share or a Regulation S Global Combination Security may transfer such interest in the form of a beneficial interest in such Regulation S Global Preference Share or such Regulation S Global Combination Security without the provision of written certification, *provided* that each transferee of a beneficial interest in a Global Security or a Regulation S Global Combination Security will be deemed to make the applicable representations and warranties described herein.

Each transferee of an Offered Security that is required to deliver a transfer certificate will be required, pursuant to such transferee certificate, and each transferee that is not required to deliver a certificate will be deemed, (a) to acknowledge, represent and warrant to and agree with the Co-Issuers and the Trustee (in the case of a Note or a Combination Security) or the Issuer and the Preference Share Paying Agent (in the case of a Preference Share) as to the matters set forth in each of paragraphs (1) through (19) above (other than paragraph (4) above) as if each reference therein to "the purchaser" were instead a reference to the transferee and (b) to further represent and warrant to and agree with the Co-Issuers and the Trustee (in the case of a Note or a Combination Security) or to the Issuer and the Preference Share Paying Agent (in the case of a Preference Share) as follows:

(1) In the case of a transferee who takes delivery of a Restricted Security or a Restricted Combination Security (or a beneficial interest therein), it is a Qualified Institutional Buyer and also a Qualified Purchaser and is acquiring such Restricted Security or a Restricted Combination Security (or beneficial interest therein) for its own account and is aware that such transfer is being made to it in reliance on Rule 144A (or, solely in the case of a Restricted Definitive Preference Share or a Restricted Definitive Security, it is an Accredited Investor, acquiring such security for its own account in reliance on an exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act)). In addition, if such transferee is acquiring a beneficial interest in a Restricted Global Note or a Restricted Combination Security, it (i) is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.\$25,000,000 in securities of issuers that are not affiliated persons of the dealer, (ii) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan and (iii) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee.

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

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

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

GENERAL INFORMATION

1. Application has been made to the Irish Stock Exchange for the Notes (other than the Class A-1 Notes) to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. If any Class or Classes or Notes are admitted to the Daily Official List of the Irish Stock Exchange, the Issuer may at any time terminate the listing of such Class or Classes or 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). No application will be made to list the Notes on any other stock exchange.
2. Application will be made to admit the Preference Shares and the Combination Securities to the Official List of the Channel Islands Stock Exchange. If the Preference Shares or Combination Securities are listed on the CISX, the Issuer may at any time terminate the listing of the Preference Shares or Combination Securities if the Issuer determines that, as a result of the a change in the requirements of the CISX, the maintenance of such listing would impose any material obligation or expense on the Issuer (in excess of the amount anticipated on the Closing Date). No application will be made to list the Preference Shares or Combination Securities on any other stock exchange.
3. For as long as the Notes are listed on the Irish Stock Exchange, copies of the Issuer Charter, the Certificate of Incorporation and By-laws of the Co-Issuer, the Administration Agreement, the Indenture, the Preference Share Paying Agency Agreement, the Collateral Administration Agreement, form of Investor Application Form, the Collateral Management Agreement, each Hedge Agreement, if any, and the Cashflow Swap Agreement (but not the Basis Swap or the Class A-1 Agency and Amending Agreement) will be available for inspection and the transfer certificates will be available for inspection, in electronic or physical form, at the offices of the Issuer. The Issuer is not required by Cayman Islands law and the Issuer does not intend, to publish annual reports and accounts. The Co-Issuer is not required by Delaware state law, and the Co-Issuer does not intend, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide the Trustee with a written certificate, on an annual basis, that to the best of its knowledge following review of the activities of the prior year, no Event of Default has occurred or if there has been an Event of Default, the certificate shall set forth the nature and status thereof, including actions undertaken to remedy the same.
4. Copies of the Issuer Charter, the Certificate of Incorporation and By-laws of the Co-Issuer, the Administration Agreement, form of Investor Application Form, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Offered Securities and the execution of the Indenture, the Preference Share Paying Agency Agreement, the Collateral Administration Agreement, the Collateral Management Agreement, each Hedge Agreement, if any, and the Cashflow Swap Agreement and the resolutions of the Board of Directors of the Co-Issuer authorizing the issuance of the Notes and the Indenture (but not the Basis Swap or the Class A-1 Agency and Amending Agreement) will be available for inspection during the term of the Notes in the city of Houston, Texas at the office of the Trustee.
5. Each of the Co-Issuers represents that, as of the date of this Offering Circular, there has been no material adverse change in its financial position since its date of creation.
6. Neither of the Co-Issuers is involved, or has been involved since incorporation, in any governmental, litigation 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 issue of the Offered Securities, nor, so far as such Co-Issuer is aware, is any such governmental, litigation or arbitration involving it pending or threatened.
7. The issuance of the Offered Securities was authorized by the Board of Directors of the Issuer on or about December 7, 2005. The issuance of the Notes was authorized by the Board of Directors of the Co-Issuer on or about December 6, 2005.
8. According to the rules and regulations of the Irish Stock Exchange, the Notes shall be freely transferable and therefore no transaction made on the Irish Stock Exchange shall be canceled.

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

	<u>Regulation S Common Codes</u>	<u>Regulation S Global Note CUSIP Numbers</u>	<u>Restricted Global Note CUSIP Numbers</u>	<u>Restricted International Securities Identification Numbers</u>
Class A-1S Notes	023688026	G5462PAK3	526257AU4	Restricted: US526257AU40 Reg S: USG5462PAK33
Class A-1J Notes	023817560	G5462PAL1	526257AW0	Restricted: US526257AW06 Reg S: USG5462PAL16
Class A-2 Notes	023688123	G5462PAB3	526257AC4	Restricted: US526257AC42 Reg S: USG5462PAB34
Class B-1 Notes	023688174	G5462PAC1	526257AE0	Restricted: US526257AE08 Reg S: USG5462PAC17
Class B-2 Notes	023688204	G5462PAG2	526257AN0	Restricted: US526257AN07 Reg S: USG5462PAG21
Class C Notes	023688450	G5462PAD9	526257AG5	Restricted: US526257AG55 Reg S: USG5462PAD99
Class D Notes	023688514	G5462PAE7	526257AJ9	Restricted: US526257AJ94 Reg S: USG5462PAE72
Class E-1 Notes	023688590	G5462PAH0	526257AQ3	Restricted: US526257AQ38 Reg S: USG5462PAH04
Class E-2 Notes	023688638	G5462PAJ6	526257AS9	Restricted: US526257AS93 Reg S: USG5462PAJ69

10. Preference Shares and Combination Securities sold in offshore transactions in reliance on Regulation S and represented by Regulation S Global Preference Shares and Regulation S Global Combination Securities, respectively, have been accepted for clearance through Euroclear and Clearstream. The table below lists the CUSIP (CINS) Numbers and the International Securities Identification Numbers (ISIN) for the Global Preference Shares and Regulation S Global Combination Securities:

	<u>Regulation S Common Codes</u>	<u>Regulation S Global Note CUSIP Numbers</u>	<u>Restricted Global Note CUSIP Numbers</u>	<u>Restricted International Securities Identification Numbers</u>
Preference Shares	023689243	G54629202	526256201	Restricted: US5262562011 Reg S: KYG546292023
Combination Securities	023688816	G5462PAF4	526257AL4	Restricted: US526257AL41 Reg S: USG5462PAF48

LEGAL MATTERS

Certain legal matters with respect to the Offered Securities will be passed upon for the Issuer by Schulte Roth & Zabel 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 Collateral Manager will be passed upon by Orrick, Herrington & Sutcliffe LLP.

GLOSSARY OF CERTAIN DEFINED TERMS

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

"ABS 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) Car Rental Receivable Securities; (3) Credit Card Securities; and (4) Student Loan Securities.

"ABS Type Residential Securities" means (1) Home Equity Loan Securities; (2) Manufactured Housing Securities; (3) Residential A Mortgage Securities; and (4) Residential B/C Mortgage Securities.

"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.

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

"Accredited Investor" has the meaning given to that term in Rule 501(a) under the Securities Act; provided that such accredited investor is not a natural person, estate or trust.

"Accrued Interest" means, as of any Quarterly Distribution Date, the sum of the Class A-1S Accrued Interest, the Class A-1J Accrued Interest, the Class A-2 Accrued Interest, the Class B-1 Accrued Interest, the Class B-2 Accrued Interest and the Class C Accrued Interest.

"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.

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

"Affiliate" or "Affiliated" means, with respect to a specified person, (a) any other person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such person or (b) any other person who is a director, officer, employee, managing member or general partner of (1) such person or (2) any such other person described in clause (a) above. For the purposes of this definition, *control* of a person means the power, direct or indirect, (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of such person or (ii) to direct or cause the direction of the management and policies of such person whether by contract or otherwise; *provided* that no other special purpose company to which the Administrator provides directors and acts as share trustee shall be an Affiliate of the Issuer.

"Aggregate Attributable Amount" means, with respect to any specified Collateral Debt Security and issuers incorporated or organized under the laws of any specified jurisdiction or jurisdictions, (a) the aggregate Principal Balance of such Collateral Debt Security multiplied by (b) the aggregate par amount of collateral securing such Collateral Debt Security issued by issuers so incorporated or organized divided by (c) the aggregate par amount of all collateral securing such Collateral Debt Security. The Collateral Manager shall determine the Aggregate Attributable Amount with respect to any specified Collateral Debt Security and issuer or issuers based upon information in the most recent servicing, trustee or other similar report delivered in accordance with the related Underlying Instruments and, if no such information is available after inquiry of the relevant issuer, Servicer, collateral manager or any other person serving in a similar capacity, on the basis of an estimate of such Aggregate Attributable Amount from the Collateral Manager made by the Collateral Manager in good faith and in the exercise of its reasonable business judgment based upon all relevant information otherwise available to the Collateral Manager or the Trustee.

"Applicable Recovery Rate" means, with respect to any Collateral Debt Security on any Measurement Date, the lowest of (a) an amount equal to the percentage for such Collateral Debt Security set forth in the Moody's recovery rate matrix set forth in Part I of Schedule A hereto (or, in the case of a Synthetic Security that is a Form Approved Synthetic Security, 100% of such percentage for the Reference Obligation) in (x) the table corresponding to the relevant Specified Type of CBO/CLO Security or Other ABS, (y) the column in such table setting forth the Moody's Rating of such Collateral Debt Security as of the date of issuance of such Collateral Debt Security and (z) the row in such table opposite the percentage of the Issue of which such Collateral Debt Security is a part relative to the total capitalization of (including both debt and equity securities issued by) the relevant issuer of or obligor on such Collateral Debt Security, determined on the original issue date of such Collateral Debt Security *provided that* (1) if the Collateral Debt Security is a Guaranteed Debt Security, the recovery rate will be 30%, (2) if such Collateral Debt Security is a 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 or a Deemed Floating Rate Security, other than a Form Approved Synthetic Security, the recovery rate will be that assigned by Moody's at the time of acquisition of such Synthetic Security or Deemed Floating Rate Security, (b) an amount equal to the percentage for such Collateral Debt Security *provided that* for all subsequent purchases of identical Collateral Debt Securities, the Applicable Recovery Rate for such Collateral Debt Security shall remain the same) set forth in the Standard & Poor's recovery rate matrix set forth in Part II of Schedule A hereto (or, in the case of a Synthetic Security that is a Form Approved Synthetic Security, 100% of such percentage for the Reference Obligation) in (x) the applicable table, (y) the row in such table opposite the Standard & Poor's Rating of such Collateral Debt Security as of the time of issuance and (z) in the column in such table below the then current rating of the most senior Class of Notes outstanding *provided that*, (1) if such Collateral Debt Security (other than a REIT Debt Security or a Guaranteed Debt Security) is a Synthetic Security that is not a Form Approved Synthetic Security, the recovery rate will be that assigned by Standard & Poor's at the time of acquisition of such Synthetic Security, (2) if the Collateral Debt Security (other than a Collateral Debt Security guaranteed by a corporate guarantor) is a REIT Debt Security, the recovery rate will be 40%, and (3) if the Collateral Debt Security is a Guaranteed Debt Security, the recovery rate will be (a) if such Guaranteed Debt Security is secured and not by its terms subordinate in right of payment, 47.5%, (b) if such Guaranteed Debt Security is not secured and is not by its terms subordinate in right of payment, 21.5% and (c) otherwise, 21.5%.

"Asset-Backed CBO/CLO Securities" means CBO/CLO Securities that entitle 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 CBO/CLO Securities) on the cash flow, or credit exposure to, from a portfolio consisting primarily of Other ABS.

"Asset-Backed Securities" means debt obligations or debt securities (including ABS REIT Debt Securities) that entitle the holders thereof to receive payments that depend primarily on the cash flow from (or credit exposure to) (a) a specified pool of financial assets, either static or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities or (b) a specified pool of real estate mortgages, either static or revolving, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities; *provided that*, in the case of clause (b), such Asset-Backed Security does not entitle the holder to a right to share in the appreciation in value of or the profits generated by the related real estate assets.

"Automobile Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from installment sale loans made to finance the acquisition of, or from leases of, automobiles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessees and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessees under the loans or leases generally do not have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Bank Guaranteed Securities" means any Asset-Backed Security as to which, if interest thereon is not timely paid when due, or the principal thereof is not timely paid at stated legal maturity, a national banking association organized under United States law or a banking corporation organized under the laws of a state of the United States has undertaken in an irrevocable letter of credit or other similar instrument to make such payment against the presentation of documents, but only if such letter of credit or similar instrument (1) expires no earlier than such stated maturity (or contains "evergreen" provisions entitling the beneficiary thereof to draw the entire undrawn amount thereof upon the failure of the expiration date of such letter of credit or other similar instrument to be extended beyond its then current expiry date), (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) was issued by a bank having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset-Backed Security higher than the credit rating assigned by such rating organization to such Asset-Backed Security, determined without giving effect to such letter of credit or similar instrument, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"Bank Trust-Preferred Securities" means any securities issued by a trust or other similar issuer whose only material assets are subordinated debt securities and/or preferred stock issued by a bank organized under the laws of the United States or any State thereof.

"Benchmark Rate" means (a) with respect to Collateral Debt Securities that bear interest at a floating rate, the offered rate for Dollar deposits in Europe of six months that appears on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as of 11:00 a.m. (London time) on the second London Banking Day preceding the 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.

"Calculation Amount" means, with respect to any Defaulted Security, Deferred Interest PIK Bond or other security at any time, the lesser of (a) the fair market value of such Defaulted Security, Deferred Interest PIK Bond or other security and (b) the amount obtained by multiplying the Applicable Recovery Rate by the Principal Balance of such Defaulted Security, Deferred Interest PIK Bond or other security; *provided* that, solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance (i) in connection with the Overcollateralization Tests and (ii) where used in the Collateral Management Agreement for calculations specified therein, the Calculation Amount with respect to all Pledged Collateral Debt Securities that are Defaulted Securities and that have been Defaulted Securities for at least three years shall be zero.

"Car Rental Receivable Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of vehicles to car rental systems (such as Hertz, Avis, National, Dollar, Budget, etc.) and their franchisees, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the subleases are obligations of numerous franchisees and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee or third party of the underlying vehicle; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Cash" means such funds denominated with currency of the United States of America as at the time shall be legal tender for payment of all public and private debts, including funds credited to a deposit account or a Securities Account.

"Cashflow Swap Agreement" means the cashflow swap agreement with respect to payments of accrued and unpaid interest on the Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B-1 Notes, Class B-2 Notes and Class C Notes consisting of an ISDA Master Agreement and Schedule and a confirmation thereunder entered into between the Issuer and the Cashflow Swap Counterparty as of the Closing Date, as amended from time to time, and any replacement cashflow swap agreement satisfying the Rating Condition entered into pursuant to the Indenture. The Cashflow Swap Agreement shall provide that any amount payable to the Cashflow Swap Counterparty thereunder shall be subject to the Priority of Payments and be payable as provided in the Indenture.

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

"Cashflow Swap Counterparty" means (a) the Initial Cashflow Swap Counterparty or (b) any permitted assignee or successor under the Cashflow Swap Agreement that satisfies the Cashflow Swap Counterparty Ratings Requirement and the Rating Condition.

"Cashflow Swap Counterparty Collateral Account" means the Securities Account designated the "Cashflow Swap Counterparty Collateral Account" and established in the name of the Trustee for the benefit of the Issuer and the Cashflow Swap Counterparty pursuant to the Indenture.

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

unguaranteed and otherwise unsupported long-term senior debt obligations of its Cashflow Swap Rating Determining Party are rated higher than "Aa3" by Moody's or are rated "Aa3" by Moody's and such rating is not on watch for possible downgrade.

"Cashflow Swap Netting Provision" means the provision in the Cashflow Swap Agreement pursuant to which payments due from the two parties thereto payable on the same date in the same currency are netted against each other.

"Cashflow Swap Payment" means, with respect to any Quarterly Distribution Date, any amount payable by the Cashflow Swap Counterparty to the Issuer on such Quarterly Distribution Date pursuant to the Cashflow Swap Agreement (including any amounts so payable in respect of a termination of the Cashflow Swap Agreement), without netting pursuant to any Cashflow Swap Netting Provision.

"Cashflow Swap Rating Determining Party" means, with respect to the Cashflow Swap Counterparty, (a) unless the following clause (b) applies with respect to the Cashflow Swap Agreement, the Cashflow Swap Counterparty or any transferee thereof or (b) any Affiliate of the Cashflow Swap Counterparty or any transferee thereof that unconditionally and absolutely guarantees (with such form of guarantee satisfying Standard & Poor's then-published criteria with respect to guarantees) the obligations of the Cashflow Swap Counterparty or such transferee, as the case may be, under the Cashflow Swap Agreement. For the purpose of this definition, no direct or indirect recourse against one or more shareholders of the Cashflow Swap 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 Cashflow Swap Counterparty or any such transferee.

"Cashflow Swap Ratings Event" means, with respect to the Cashflow Swap Agreement entered into between the Issuer and the Initial Cashflow Swap Counterparty, the occurrence of any of the following: (a) the long-term senior unsecured debt rating of its Cashflow Swap Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A2," if its Cashflow Swap Rating Determining Party has a long-term rating only; (b) the long-term senior unsecured debt rating of its Cashflow Swap Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A3" or the short-term senior unsecured debt rating of the Initial Cashflow Swap Counterparty or, if no such rating is available, its Cashflow Swap Rating Determining Party from Moody's, or if no such rating is available, a guaranteed affiliate thereof from Moody's, if so rated by Moody's, falls to or below "P-2" or (c) the long-term senior unsecured debt rating of its Initial Cashflow Swap Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "BBB-".

"Cashflow Swap Ratings Threshold" means, with respect to any Cashflow Swap Counterparty (other than the Initial Cashflow Swap Counterparty), (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Cashflow Swap Rating Determining Party are rated at least "A-1" by Standard & Poor's or (ii) if its Cashflow Swap Rating Determining Party does not have a short-term rating from Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Cashflow Swap Rating Determining Party are rated at least "A+" by Standard & Poor's and (b) (i) the long-term senior unsecured debt rating of its Cashflow Swap Rating Determining Party is at least "A2" by Moody's, *provided* that the Cashflow Swap Ratings Threshold shall not be satisfied if such obligations are rated "A2" by Moody's and such rating is on watch for possible downgrade and (ii) (A) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Cashflow Swap Rating Determining Party are rated at least "P-2" by Moody's, *provided* that the Cashflow Swap Ratings Threshold shall not be satisfied if such obligations are rated "P-2" by Moody's and such rating is on watch for possible downgrade or (B) if there is no such short-term rating by Moody's, the long-term senior unsecured debt rating of its Cashflow Swap Rating Determining Party is at least "A1" by Moody's, *provided* further that the Cashflow Swap Ratings Threshold shall not be satisfied if such obligations are rated "A1" by Moody's and such rating is on watch for possible downgrade.

"CBO/CLO Securities" means an Asset-Backed Security issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of, or credit exposure to, commercial and industrial bank loans, Asset Backed Securities, trust preferred securities or debt securities (or any combination of the foregoing) subject to specified investment and management criteria, including the following: Asset-Backed CBO/CLO Securities, CDO of CDOs,

Corporate CBO/CLO Securities, CLO Securities, Emerging Market CDO Securities, High Yield CBO/CLO Securities and Trust Preferred CBO/CLO Securities.

"CDO of CDOs" means a CBO/CLO Security the terms of which permit the Underlying Portfolio to consist of more than 50% of CBO/CLO Securities.

"Class" means each of the Class A-1S Notes, the Class A-1J Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

"Class A/B/C Pro Rata Principal Payment Cap" means, on any Quarterly Distribution Date, an amount equal to (a) the amount of Principal Proceeds available in accordance with the Priority of Payments to make payments under clause (6) of "Priority of Payments—Principal Proceeds" multiplied by (b) the aggregate outstanding principal amount of the Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B Notes and Class C Notes (after giving effect to all payments of principal thereof on such Quarterly Distribution Date, from Interest Proceeds and from Principal Proceeds prior to clause (6) under "Priority of Payments—Principal Proceeds") divided by (c) the aggregate outstanding principal amount of the Notes (after giving effect to all payments of principal thereof on such Quarterly Distribution Date, from Interest Proceeds and from Principal Proceeds, prior to clause (6) of "Priority of Payments—Principal Proceeds").

"Class A/B/C Sequential Pay Ratio" " means, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the aggregate outstanding principal amount of the Class A-1S Notes, (ii) the aggregate outstanding principal amount of the Class A-1J Notes, (iii) the aggregate outstanding principal amount of the Class A-2 Notes, (iv) the aggregate outstanding principal amount of the Class B Notes and (v) the aggregate outstanding principal amount of the Class C Notes.

"Class A/B/C Sequential Pay Test" " means, for so long as any Class A Notes, Class B Notes or Class C Notes remain Outstanding (or if the Commitment Period Termination Date has not occurred), a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A/B/C Sequential Pay Ratio on such Measurement Date is equal to or greater than 116.9%.

"Class A-1J Accrued Interest" means, as of any Quarterly Distribution Date, an amount equal to the product of (a) the Class A-1J Swap Interest Rate multiplied by (b) the sum of the amount calculated for such Quarterly Distribution Date under clauses (ii)(1) and (ii)(2) of the definition of "Class A-1J Reimbursement Amount" minus the amount calculated for such Quarterly Distribution Date under clause (ii)(3) of the definition of "Class A-1J Reimbursement Amount" multiplied by (c) the applicable day count fraction for the Interest Period ending on such Quarterly Distribution Date.

"Class A-1 Agency and Amending Agreement" means the agreement dated as of the Closing Date among the Co-Issuers, the Trustee and the Class A-1 Agent whereby the Indenture is amended and the Class A-1 Agent undertakes to perform certain tasks specified therein on behalf of the Co-Issuers.

"Class A-1 Agent" means Deutsche Bank Trust Company Americas, a New York banking corporation, and any successor appointed as Class A-1 Agent pursuant to the Class A-1 Agency and Amending Agreement.

"Class A-1J Other Amounts" means the fees, expenses and other amounts payable by the Issuer, in respect of the Class A-1J Notes pursuant to the Class A-1 Agency and Amending Agreement.

"Class A-1J Payment Amount" means, as of any Quarterly Distribution Date, the portion of the Cashflow Swap Payment paid by the Cashflow Swap Counterparty to the Issuer on such date that was applied to the payment of the Interest Distribution Amount and Commitment Fee with respect to the Class A-1J Notes (or to make a payment to the Basis Swap Counterparty at the same priority in the Priority of Payments as interest on the Class A-1J Notes).

"Class A-1J Swap Interest Rate" means as of any Quarterly Distribution Date so long as any of the Class A-1J Notes are outstanding, the interest rate applicable to the Class A-1J Notes as of such Quarterly Distribution Date, and for each Quarterly Distribution Date after the Class A-1J Notes cease to be outstanding, LIBOR plus 1.00%.

"Class A-1J Reimbursement Amount" means, (i) as of the first Quarterly Distribution Date, zero, and (ii) as of each Quarterly Distribution Date thereafter, an amount equal to (1) the sum of all Class A-1J Payment Amounts paid by the Cashflow Swap Counterparty to the Issuer on or prior to the immediately preceding Quarterly Distribution Date plus (2) the sum of all unpaid Class A-1J Accrued Interest for any Interest Period ending on or prior to the immediately preceding Quarterly Distribution Date minus (3) the sum of all amounts paid by the Issuer to the Cashflow Swap Counterparty on or prior to the immediately preceding Quarterly Distribution Date pursuant to clause (6) (*second*) of "Priority of Payments—Interest Proceeds" and clause (1) of "Priority of Payments—Principal Proceeds" (with respect to the Class A-1J Notes) plus (4) Class A-1J Accrued Interest for the related Interest Period.

"Class A-1S Accrued Interest" means, as of any Quarterly Distribution Date, an amount equal to the product of (a) the Class A-1S Swap Interest Rate multiplied by (b) the sum of the amount calculated for such Quarterly Distribution Date under clauses (ii)(1) and (ii)(2) of the definition of "Class A-1S Reimbursement Amount" minus the amount calculated for such Quarterly Distribution Date under clause (ii)(3) of the definition of "Class A-1S Reimbursement Amount" multiplied by (c) the applicable day count fraction for the Interest Period ending on such Quarterly Distribution Date.

"Class A-1S Noteholders" " " means the Class A-1S Noteholder(s) which enter into the Class A-1S Note Purchase Agreement and have commitments thereunder.

"Class A-1S Other Amounts" means the fees, expenses and other amounts payable by the Issuer in respect of the Class A-1S Notes pursuant to the Class A-1 Agency and Amending Agreement.

"Class A-1S Payment Amount" means, as of any Quarterly Distribution Date, the portion of the Cashflow Swap Payment paid by the Cashflow Swap Counterparty to the Issuer on such date that was applied to the payment of the Interest Distribution Amount and Commitment Fee with respect to the Class A-1S Notes (or to make a payment to the Basis Swap Counterparty at the same priority in the Priority of Payments as interest on the Class A-1S Notes).

"Class A-1S Reimbursement Amount" means, (i) as of the first Quarterly Distribution Date, zero, and (ii) as of each Quarterly Distribution Date thereafter, an amount equal to (1) the sum of all Class A-1S Payment Amounts paid by the Cashflow Swap Counterparty to the Issuer on or prior to the immediately preceding Quarterly Distribution Date plus (2) the sum of all unpaid Class A-1S Accrued Interest for any Interest Period ending on or prior to the immediately preceding Quarterly Distribution Date minus (3) the sum of all amounts paid by the Issuer to the Cashflow Swap Counterparty on or prior to the immediately preceding Quarterly Distribution Date pursuant to clause (6)(*first*) of "Priority of Payments—Interest Proceeds" and clause (1) of "Priority of Payments—Principal Proceeds" (with respect to the Class A-1S Notes) plus (4) Class A-1S Accrued Interest for the related Interest Period.

"Class A-1S Note Purchase Agreement" means the note purchase agreement dated on or prior to the Closing Date between the Co-Issuers, the Trustee, Merrill Lynch, Pierce, Fenner & Smith Incorporated as distribution agent and the beneficial owners from time to time of the Class A-1S Notes, as modified and supplemented and in effect from time to time.

"Class A-1S Swap Interest Rate" means as of any Quarterly Distribution Date so long as any of the Class A-1S Notes are outstanding, the interest rate applicable to the Class A-1S Notes as of such Quarterly Distribution Date, and for each Quarterly Distribution Date after the Class A-1S Notes cease to be outstanding, LIBOR plus 1.00%.

"Class A-2 Accrued Interest" means, as of any Quarterly Distribution Date, an amount equal to the product of (a) the Class A-2 Swap Interest Rate multiplied by (b) the sum of the amount calculated for such Quarterly Distribution Date under clauses (ii)(1) and (ii)(2) of the definition of "Class A-2 Reimbursement Amount" minus the

amount calculated for such Quarterly Distribution Date under clause (ii)(3) of the definition of "Class A-2 Reimbursement Amount" multiplied by (c) the applicable day count fraction for the Interest Period ending on such Quarterly Distribution Date.

"Class A-2 Payment Amounts" means, as of any Quarterly Distribution Date, the portion of the Cashflow Swap Payment paid by the Cashflow Swap Counterparty to the Issuer on such date that was applied to the payment of the Interest Distribution Amount with respect to the Class A-2 Notes.

"Class A-2 Reimbursement Amount" means, (i) as of the first Quarterly Distribution Date, zero, and (ii) as of each Quarterly Distribution Date thereafter, an amount equal to (1) the sum of all Class A-2 Payment Amounts paid by the Cashflow Swap Counterparty to the Issuer on or prior to the immediately preceding Quarterly Distribution Date plus (2) the sum of all unpaid Class A-2 Accrued Interest for any Interest Period ending on or prior to the immediately preceding Quarterly Distribution Date minus (3) the sum of all amounts paid by the Issuer to the Cashflow Swap Counterparty on or prior to the immediately preceding Quarterly Distribution Date pursuant to clause (6)(*third*) of "Priority of Payments—Interest Proceeds" and clause (1) of "Priority of Payments—Principal Proceeds" (with respect to the Class A-2 Notes) plus (4) Class A-2 Accrued Interest for the related Interest Period.

"Class A-2 Swap Interest Rate" means as of any Quarterly Distribution Date so long as any of the Class A-2 Notes are outstanding, the interest rate applicable to the Class A-2 Notes as of such Quarterly Distribution Date, and for each Quarterly Distribution Date after the Class A-2 Notes cease to be outstanding, LIBOR plus 0.60%.

"Class B-1 Accrued Interest" means, as of any Quarterly Distribution Date, an amount equal to the product of (a) the Class B-1 Swap Interest Rate multiplied by (b) the sum of the amount calculated for such Quarterly Distribution Date under clauses (ii)(1) and (ii)(2) of the definition of "Class B-1 Reimbursement Amount" minus the amount calculated for such Quarterly Distribution Date under clause (ii)(3) of the definition of "Class B-1 Reimbursement Amount" multiplied by (c) the applicable day count fraction for the Interest Period ending on such Quarterly Distribution Date.

"Class B-1 Payment Amounts" means, as of any Quarterly Distribution Date, the portion of the Cashflow Swap Payment paid by the Cashflow Swap Counterparty to the Issuer on such date that was applied to the payment of the Interest Distribution Amount with respect to the Class B-1 Notes.

"Class B-1 Reimbursement Amount" (i) as of the first Quarterly Distribution Date, zero, and (ii) as of each Quarterly Distribution Date thereafter, an amount equal to (1) the sum of all Class B-1 Payment Amounts paid by the Cashflow Swap Counterparty to the Issuer on or prior to the immediately preceding Quarterly Distribution Date plus (2) the sum of all unpaid Class B-1 Accrued Interest for any Interest Period ending on or prior to the immediately preceding Quarterly Distribution Date minus (3) the sum of all amounts paid by the Issuer to the Cashflow Swap Counterparty on or prior to the immediately preceding Quarterly Distribution Date pursuant to clause (6)(*fourth*) of "Priority of Payments—Interest Proceeds" and clause (1) of "Priority of Payments—Principal Proceeds" (with respect to the Class B-1 Notes) plus (4) Class B-1 Accrued Interest for the related Interest Period.

"Class B-1 Swap Interest Rate" means as of any Quarterly Distribution Date so long as any of the Class B-1 Notes are outstanding, the interest rate applicable to the Class B-1 Notes as of such Quarterly Distribution Date, and for each Quarterly Distribution Date after the Class B-1 Notes cease to be outstanding, LIBOR plus 0.75%.

"Class B-2 Accrued Interest" means, as of any Quarterly Distribution Date, an amount equal to the product of (a) the Class B-2 Swap Interest Rate multiplied by (b) the sum of the amount calculated for such Quarterly Distribution Date under clauses (ii)(1) and (ii)(2) of the definition of "Class B-2 Reimbursement Amount" minus the amount calculated for such Quarterly Distribution Date under clause (ii)(3) of the definition of "Class B-2 Reimbursement Amount" multiplied by (c) the applicable day count fraction for the Interest Period ending on such Quarterly Distribution Date.

"Class B-2 Payment Amounts" means, as of any Quarterly Distribution Date, the portion of the Cashflow Swap Payment paid by the Cashflow Swap Counterparty to the Issuer on such date that was applied to the payment the Interest Distribution Amount with respect to the Class B-2 Notes.

"Class B-2 Reimbursement Amount" (i) as of the first Quarterly Distribution Date, zero, and (ii) as of each Quarterly Distribution Date thereafter, an amount equal to (1) the sum of all Class B-2 Payment Amounts paid by the Cashflow Swap Counterparty to the Issuer on or prior to the immediately preceding Quarterly Distribution Date plus (2) the sum of all unpaid Class B-2 Accrued Interest for any Interest Period ending on or prior to the immediately preceding Quarterly Distribution Date minus (3) the sum of all amounts paid by the Issuer to the Cashflow Swap Counterparty on or prior to the immediately preceding Quarterly Distribution Date pursuant to clause (6)(*fourth*) of "Priority of Payments—Interest Proceeds" and clause (1) of "Priority of Payments—Principal Proceeds" (with respect to the Class B-2 Notes) plus (4) Class B-2 Accrued Interest for the related Interest Period.

"Class B-2 Swap Interest Rate" means as of any Quarterly Distribution Date so long as any of the Class B-1 Notes are outstanding, the interest rate applicable to the Class B-1 Notes as of such Quarterly Distribution Date, and for each Quarterly Distribution Date after the Class B-1 Notes cease to be outstanding, LIBOR plus 0.75%.

"Class C Accrued Interest" means, as of any Quarterly Distribution Date, an amount equal to the product of (a) the Class C Swap Interest Rate multiplied by (b) the sum of the amount calculated for such Quarterly Distribution Date under clauses (ii)(1) and (ii)(2) of the definition of "Class C Reimbursement Amount" minus the amount calculated for such Quarterly Distribution Date under clause (ii)(3) of the definition of "Class C Reimbursement Amount" multiplied by (c) the applicable day count fraction for the Interest Period ending on such Quarterly Distribution Date.

"Class C Payment Amounts" means, as of any Quarterly Distribution Date, the portion of the Cashflow Swap Payment paid by the Cashflow Swap Counterparty to the Issuer on such date that was applied to the payment the Interest Distribution Amount with respect to the Class C Notes.

"Class C Reimbursement Amount" (i) as of the first Quarterly Distribution Date, zero, and (ii) as of each Quarterly Distribution Date thereafter, an amount equal to (1) the sum of all Class C Payment Amounts paid by the Cashflow Swap Counterparty to the Issuer on or prior to the immediately preceding Quarterly Distribution Date plus (2) the sum of all unpaid Class C Accrued Interest for any Interest Period ending on or prior to the immediately preceding Quarterly Distribution Date minus (3) the sum of all amounts paid by the Issuer to the Cashflow Swap Counterparty on or prior to the immediately preceding Quarterly Distribution Date pursuant to clause (6)(*fifth*) of "Priority of Payments—Interest Proceeds" and clause (1) of "Priority of Payments—Principal Proceeds" (with respect to the Class C Notes) plus (4) Class C Accrued Interest for the related Interest Period.

"Class C Swap Interest Rate" means as of any Quarterly Distribution Date so long as any of the Class C Notes are outstanding, the interest rate applicable to the Class C Notes as of such Quarterly Distribution Date, and for each Quarterly Distribution Date after the Class C Notes cease to be outstanding, LIBOR plus 1.05%.

"Class D Pro Rata Principal Payment Cap" means, on any Quarterly Distribution Date, an amount equal to (a) the amount of Principal Proceeds available in accordance with the Priority of Payments to make payments under clause (11) of "Priority of Payments—Principal Proceeds" multiplied by (b) the aggregate outstanding principal amount of the Class D Notes (after giving effect to all payments of principal thereof on such Quarterly Distribution Date, from Interest Proceeds and from Principal Proceeds prior to clause (11) under "Priority of Payments—Principal Proceeds") divided by (c) the aggregate outstanding principal amount of the Class D Notes and the Class E Notes (after giving effect to all payments of principal thereof on such Quarterly Distribution Date, from Interest Proceeds and from Principal Proceeds prior to clause (11) under "Priority of Payments—Principal Proceeds").

"CLO Security" means a CBO/CLO Security the terms of which permit more than 50% of the Underlying Portfolio to consist of investments in (or credit exposure to) commercial and industrial bank loans.

"Closing Date" means December 8, 2005.

"CMBS Conduit Securities" means Asset-Backed Securities (A) issued by a single-seller or multi-seller conduit under which the holders of such Asset-Backed Securities have recourse to a specified pool of assets (but not other assets held by the conduit that support payments on other series of securities) and (B) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans generally having the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors (with the creditworthiness of individual obligors being less material than for CMBS Large Loan Securities and Credit Tenant Lease Securities) and accordingly represent a relatively undiversified pool of obligor credit risk; (4) upon original issuance of such Asset-Backed Securities no five commercial mortgage loans account for more than 20% of the aggregate Principal Balance of the entire pool of commercial mortgage loans supporting payments on such securities; and (5) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"CMBS Credit Tenant Lease Securities" means Asset-Backed Securities (other than CMBS Large Loan Securities and CMBS Conduit Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties leased to corporate tenants (or on the cash flow from such leases). They generally have the following characteristics: (1) the commercial mortgage loans or leases have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the leases are secured by leasehold interests; (4) the commercial mortgage loans or leases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment thereof can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans or termination of leases depending on numerous factors specific to the particular obligors or lessees and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; and (6) the creditworthiness of such corporate tenants is the primary factor in any decision to invest in these securities.

"CMBS Large Loan Securities" means Asset-Backed Securities (other than CMBS Conduit Securities and CMBS Credit Tenant Lease Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties. They generally have the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (5) the valuation of individual properties securing the commercial mortgage loans is the primary factor in any decision to invest in these securities.

"Collateral Debt Security" means (a) any CBO/CLO Security, (b) any Other ABS, (c) any Guaranteed Debt Security, (d) any Synthetic Security as to which any Reference Obligation and any Deliverable Obligation is a CBO/CLO Security, Other ABS or Guaranteed Debt Security that would qualify to be included as a Collateral Debt Security under the Indenture if purchased directly by the Issuer or (e) any Deliverable Obligation. Any Synthetic Security Collateral that is not an Eligible Investment and is transferred to the Custodial Account upon termination of the related Synthetic Security will also be treated as a Collateral Debt Security.

"Collateral Manager Securities" means Notes and Preference Shares held by the Collateral Manager or an Affiliate or by a fund or account managed by the Collateral Manager or any Affiliate.

"Combination Securities" means the U.S.\$30,000,000 principal amount of Combination Securities due November 2043, which consist of the Class B-2 Note Component and the Class E-2 Note Component.

"Combination Securityholder" or **"Holder"** means, with respect to any Combination Security, the person in whose name such Combination Security is registered in the applicable Combination Security Register.

"Commitment Fee Amount" means, with respect to the Class A-1S Notes as of any Quarterly Distribution Date, the sum of (a) the aggregate amount of Commitment Fee accrued during the Interest Period ending on such Quarterly Distribution Date plus (b) any Commitment Fee Amount due but not paid in any previous Interest Period plus (c) any Defaulted Interest in respect of any Commitment Fee Amount due but not paid on any prior Quarterly Distribution Date (which Defaulted Interest shall accrue at the interest rate applicable to the Class A-1S Notes).

"Controlling Class" means the Class A-1S Notes or, if there are no Class A-1S Notes outstanding (and the Commitment Period Termination Date has occurred), *then* the Class A-1J Notes or, if there are no Class A-1J Notes outstanding, *then* the Class A-2 Notes, or, if there are no Class A-1 Notes outstanding, the Class B-1 Notes and the Class B-2 Notes (voting together as a single Class) 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-1 Notes and Class E-2 Notes (voting together as a single Class).

"Corporate CBO/CLO Security" means a CBO/CLO Security the terms of which permit the Underlying Portfolio to consist of more than 50% of Corporate Debt Securities.

"Corporate Debt Securities" means publicly issued or privately placed corporate debt securities that are not Asset-Backed Securities or Guaranteed Debt Securities.

"Corporate Trust Office" means the designated corporate trust office of the Trustee, currently located at 600 Travis Street, 50th Floor, JPMorgan Chase Tower, Houston, Texas 77002, Attention: Worldwide Security Services-Lenox CDO or such other address as the Trustee may designate from time to time by notice to the Noteholders, the Synthetic Security Counterparty, each Hedge Counterparty and the Issuer or the principal corporate trust office of any successor Trustee.

"Credit Card Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from balances outstanding under revolving consumer credit card accounts, generally having the following characteristics: (1) the accounts have standardized payment terms and require minimum monthly payments; (2) the balances are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the repayment stream on such balances does not depend upon a contractual payment schedule, with early repayment depending primarily on interest rates, availability of credit against a maximum credit limit and general economic matters.

"Credit Improved Security" means any Collateral Debt Security or any other security included in the Collateral (other than a Defaulted Security or Deferred Interest PIK Bond) that satisfies one of the following criteria: (1) so long as (a) no rating of any of the Class A Notes, Class B Notes or Class C Notes has been reduced below the rating assigned to such Notes on the Closing Date or withdrawn by Moody's (and has not been reinstated), and (b) no rating of any of the Class D Notes or Class E Notes has been reduced by two or more subcategories below the rating assigned to such Notes on the Closing Date or withdrawn by Moody's (and has not been reinstated), the Collateral Manager believes (based on its judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement) that such Collateral Debt Security or security (or the Reference Obligation in the case of a Synthetic Security) has improved in credit quality since it was acquired by the Issuer; or (2) such Collateral Debt Security or security (or the Reference Obligation in the case of a Synthetic Security) has been upgraded or put on a watch list for possible upgrade by one or more rating subcategories by Moody's since it was acquired by the Issuer and the Collateral Manager believes (based on its judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement) that such Collateral Debt Security has improved in credit quality since such date.

"Credit Risk Security" means any Collateral Debt Security or any other security included in the Collateral (other than a Defaulted Security or Deferred Interest PIK Bond) that satisfies one of the following criteria: (1) so long as (a) no rating of any of the Class A Notes, Class B Notes or Class C Notes has been reduced below the rating assigned to such Notes on the Closing Date or withdrawn by Moody's (and has not been reinstated), and (b) no rating of any of the Class D Notes or Class E Notes has been reduced by two or more subcategories below the rating assigned to such Notes on the Closing Date or withdrawn by Moody's (and has not been reinstated to its rating on the Closing Date), the Collateral Manager believes (as of the date of the Collateral Manager's determination based upon currently available information) that such Collateral Debt Security or other security (or the Reference Obligation in the case of a Synthetic Security) has declined in credit quality since it was acquired by the Issuer and has a risk of further declining in credit quality and with lapse of time, becoming a Defaulted Security; or (2) such Collateral Debt Security or security (or the Reference Obligation in the case of a Synthetic Security) has been downgraded by one or more rating subcategories, or put on a watch list for possible downgrade, by one or more Rating Agencies since it was acquired by the Issuer and the Collateral Manager believes (as of the date of the Collateral Manager's determination based upon currently available information) that such Collateral Debt Security or other security has declined in credit quality since it was acquired by the Issuer and has a risk of further declining in credit quality and with lapse of time, becoming a Defaulted Security.

"Current Spread" means, as of any date of determination, (a) with respect to any Floating Rate Security, the stated spread above or below LIBOR 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 purposes of this definition, in the case of any Floating Rate Security that does not bear interest at a rate expressed as a stated spread above or below LIBOR, the stated spread to LIBOR relating to such Floating Rate Security shall be calculated on any Measurement Date by the Collateral Manager in its sole judgment on behalf of the Issuer by subtracting LIBOR (as determined on the most recent LIBOR Determination Date) from the interest rate payable on such Floating Rate Security.

"Custodian" means the custodian under the Account Control Agreement.

"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 Hedge Agreement" means, with respect to a Floating Rate Security, an agreement consisting of an ISDA Master Agreement and Schedule and an interest rate 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.

"Deemed Floating Rate" means, with respect to a Deemed Floating Rate Security, the floating rate in excess of or less than LIBOR 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 Fixed Rate Security, an agreement consisting of an ISDA Master Agreement and Schedule and an interest rate cap 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.

"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:

(a) as to which the Trustee has actual knowledge that the issuer thereof has defaulted in the payment of principal or interest without regard to any applicable grace period or waiver; *provided* that a Collateral Debt Security will not be classified as a "Defaulted Security" under this paragraph if (i) the Collateral Manager certifies to the Trustee, in its judgment, that such payment default is due to non-credit and non-fraud related reasons and such default does not continue for more than five Business Days (or, if earlier, until the next succeeding Determination Date) or (ii) such payment default has been cured by the payment of all amounts that were originally scheduled to have been paid;

(b) as to which the Trustee has actual knowledge that all amounts due under such Collateral Debt Security have been accelerated prior to its Stated Maturity or such Collateral Debt Security can be immediately so accelerated, unless such rights of acceleration have been waived;

(c) that ranks *pari passu* with or subordinate to any other material indebtedness for borrowed money owing by the issuer of such security (for purposes hereof, "Other Indebtedness") if the Trustee has actual knowledge that such issuer had defaulted in the payment (beyond any applicable notice or grace period) of principal or interest with respect to such Other Indebtedness, unless, in the case of a default or event of default consisting of a failure of the obligor on such security to make required interest payments, such Other Indebtedness has resumed current payments of interest (including all accrued interest) in Cash (whether or not any waiver or restructuring has been effected);

(d) as to which any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer thereof, or there has been proposed or effected any distressed exchange or other debt restructuring pursuant to which the issuer thereof has offered the holders thereof a new security or package of securities that is intended solely to enable the relevant obligor to avoid defaulting in the performance of its obligations under such Collateral Debt Security; *provided* that a Collateral Debt Security shall not constitute a "Defaulted Security" under this clause (d) 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";

(e) that is rated "Ca" or "C" by Moody's;

(f) that is rated "CC," "D" or "SD" (or has had its rating withdrawn and not reinstated) by Standard & Poor's;

(g) that is a Defaulted Synthetic Security;

(h) that is a Synthetic Security (other than a Defaulted Synthetic Security) with respect to which there is a Synthetic Security Counterparty Defaulted Obligation; or

(i) that is a Deliverable Obligation that would not satisfy clauses (1) through (4) and (6) through (11), (13) and (15) through (20) of the Eligibility Criteria at the time such Deliverable Obligation is delivered to the Issuer.

For the purposes of this definition, the words "actual knowledge" shall mean receipt by the Trustee of any relevant report, documentation or notice from the issuer of or trustee or other service provider with respect to a Collateral Debt Security that states or provides notification that any of the above events has occurred. In addition, the Trustee shall be deemed to have "actual knowledge" that a Collateral Debt Security or any other security included in the Collateral is a Defaulted Security if the Trustee receives (whether received in writing, by electronic means or otherwise) a written notice addressed to the Trustee from the Collateral Manager, any Noteholder, any Preference Shareholder, any Hedge Counterparty, the Cashflow Swap Counterparty or any Rating Agency that such party has obtained knowledge of any such default.

"Defaulted Synthetic Security" means (a) any Synthetic Security as to which, if the Reference Obligation were a Collateral Debt Security, such Reference Obligation would constitute a "Defaulted Security" under the definition thereof (other than any of clauses (g), (h) or (i) of such definition) and (b) any Synthetic Security as to which a Deliverable Obligation has become deliverable to the Issuer by reason of the occurrence of one or more "credit events" or other similar circumstances, *provided* that, at such time (if ever) as a Deliverable Obligation is delivered

in respect of such Synthetic Security, clause (i) of the definition of "Defaulted Security" shall determine whether it is a Defaulted Security.

"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 and upon such termination, any lien in favor of the Synthetic Security Counterparty over its related Synthetic Security Counterparty Account will be terminated and (y) the Issuer will no longer be obligated to make any payments (including termination payments) to the Synthetic Security Counterparty with respect to such Synthetic Security.

"Deferred Interest " means the Class D Deferred Interest Amount and the Class E Deferred Interest Amount.

"Deferred Interest PIK Bond" means a PIK Bond with respect to which payment of interest either in whole or in part has been deferred and capitalized in an amount at least equal to the amount of interest payable in respect of the lesser of (a) one payment period and (b) a period of six months, but only so long as interest on such PIK Bond has not resumed and all capitalized and deferred interest has not been paid in full in accordance with the terms of the Underlying Instruments; *provided that* (a) for the purposes of the Overcollateralization Tests only, a PIK Bond with a Moody's Rating of at least "Baa3" (and if rated "Baa3," such PIK Bond has not been placed on a watch list for possible downgrade) will not be a Deferred Interest PIK Bond unless interest either in whole or in part has been deferred and capitalized in an amount at least equal to the amount of interest payable in respect of the lesser of (x) two payment periods and (y) a period of one year and (b) for the purposes of clause (11) of the Eligibility Criteria, Deferred Interest PIK Bond shall mean a PIK Bond with respect to which any payment of interest either in whole or in part has been deferred and capitalized, but only so long as interest on such PIK Bond has not resumed and all capitalized and deferred interest has not been paid in full in accordance with the terms of the Underlying Instruments.

"Definitive Combination Securities" means any Regulation S Definitive Combination Securities or Restricted Definitive Combination Securities.

"Deliverable Obligation" means, with respect to a Synthetic Security, the Reference Obligation that is to be delivered to the Issuer upon the occurrence of a "credit event" under a Synthetic Security.

"Depository" means DTC, its nominees and their respective successors.

"Determination Date" means the last day of a Due Period.

"Discount Security" means a Collateral Debt Security purchased by the Issuer at a purchase price (calculated as a percentage of par and without regard to any interest accrued to the date of purchase) that is less than (A) 80% multiplied by (B) the Adjusted Issue Price of such security.

"Discretionary Sale Percentage" means 15%.

"Dollar" or "U.S.\$ " means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for all debts, public and private.

"Due Period" means each period from, but excluding, the 8th day of a calendar month in which any Quarterly Distribution Date occurs to, and including, the 8th day of the calendar month in which the next succeeding Quarterly Distribution Date occurs, except that (a) the initial Due Period will commence on, and include, the Closing Date and end on (but exclude) the 10th day of the calendar month in which the first Quarterly Distribution Date occurs and the second Due Period will commence on (and include) such 10th day, and (b) the final Due Period will end on, and include, the day preceding the Stated Maturity of the Notes. The "Quarterly Distribution Date" relating to any Due Period shall be the Quarterly Distribution Date that next succeeds the last day of such Due Period. Amounts that would otherwise have been payable in respect of a Pledged Collateral Debt Security on the last day of a Due Period but for such day not being a designated business day in the Underlying Instruments or a Business Day in the Indenture shall be considered included in collections received during such Due Period.

"Eligible Investments" include any Dollar-denominated investment that is one or more of the following (and may include investments for which the Trustee and/or its affiliates provides services or receives compensation):

(a) Cash;

(b) direct Registered obligations of, and Registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States;

(c) demand and time deposits in, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or Federal funds sold by any depository institution or trust company incorporated under the laws of the United States or any state thereof and subject to supervision and examination by Federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a long-term credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2," such rating is not on watch for possible downgrade by Moody's), and not less than "AA+" by Standard & Poor's, or "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1" by Standard & Poor's in the case of commercial paper and short-term debt obligations including time deposits with a maturity of longer than 30 days; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "A1" by Moody's (and, if such rating is "A1," such rating is not on watch for possible downgrade by Moody's) and (ii) in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's;

(d) unleveraged repurchase obligations with respect to (i) any security described in clause (b) above or (ii) any other Registered obligation issued or guaranteed by an agency or instrumentality of the United States (in each case without regard to the stated maturity of such security), in either case entered into with a U.S. Federal or state depository institution or trust company (acting as principal) described in clause (c) above or entered into with a corporation or banking association (acting as principal) whose long-term rating is not less than "Aa2" by Moody's (and, if such rating is "Aa2," such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's or whose short-term credit rating is "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's at the time of such investment; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2," such rating is not on watch for possible downgrade by Moody's) and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's;

(e) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that have a credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2," such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's;

(f) commercial paper or other short-term obligations 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 "A-1+" by Standard & Poor's;

(g) Registered reinvestment agreements issued or guaranteed by any bank (if treated as a deposit by such bank), or a Registered reinvestment agreement issued or guaranteed by any insurance company or other corporation or entity organized under the laws of the United States or any state thereof (if treated as debt by such entity), in each case, that has a credit rating of (i) "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) if such security has a maturity of longer than 91 days, a long-term credit rating of not less than "AA+" by Standard & Poor's and "Aa1" by Moody's; and

(h) interests in any non-U.S. money market fund or similar investment vehicle having at the time of investment therein a rating of "Aaa/MR1+" by Moody's and a rating of "AAAm" or "AAAm/G" by Standard & Poor's; and, in each case (other than clause (a), (g) and (h)), with a Stated Maturity (giving effect to any applicable grace period) no later than the Business Day immediately preceding the Quarterly Distribution Date next following the Due Period in which the date of investment occurs;

provided that Eligible Investments may not include (i) any mortgaged-backed security, (ii) any security that does not provide for payment or repayment of a stated principal amount in one or more installments, (iii) any security purchased at a price in excess of 100% of the par value thereof, (iv) 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, (v) any investment the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will subject the Issuer to net income tax in any jurisdiction outside its jurisdiction of incorporation, (vi) any floating rate security (other than the time deposits described in clause (c) above) whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index plus a spread, (vii) any security subject to substantial non-credit-related risk as determined in the reasonable commercial judgment of the Collateral Manager (viii) any security whose rating by Standard & Poor's includes the subscript "r," "t," "p," "pi" or "q", (ix) any security that is subject to an Offer or (x) any U.S. money market fund or similar investment vehicle, *provided* that notwithstanding the foregoing, when used in relation to a Synthetic Security Counterparty Account, Eligible Investments shall include any Dollar-denominated investments that meet the foregoing requirements or any other investments approved in writing by the related Synthetic Security Counterparty that meet the requirements of clauses (iv) and (v) above and that satisfy the Rating Condition and any Synthetic Security Collateral. 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.

"Emerging Market Issuer" means a sovereign or non-sovereign issuer organized in a country that is in Latin America, Asia, Africa, Eastern Europe or the Caribbean or in a country the Dollar-denominated obligations of which are rated lower than "Aa2" by Moody's (or are rated "Aa2" and are on watch for possible downgrade by Moody's) and which has a foreign currency rating lower than "AA" by Standard & Poor's; *provided* that an issuer of Asset-Backed Securities organized in a Special Purpose Vehicle Jurisdiction shall not be an Emerging Market Issuer for purposes hereof if the underlying collateral of such Asset-Backed Securities consists solely of (x) obligations of obligors located in the United States and (y) obligations of Qualifying Foreign Obligors.

"Emerging Market Security" means a debt obligation issued by an Emerging Market Issuer.

"Emerging Market CDO Security" means a CBO/CLO Security the terms of which permit the Underlying Portfolio to consist predominantly of Emerging Market Securities or credit exposure to Emerging Market Securities.

"Equity Security" means any security, obligation or other property (other than Cash) acquired by the Issuer in exchange for a Defaulted Security.

"ERISA" means The United States Employee Retirement Income Security Act of 1974, as amended.

"Excepted Property" means (a) the U.S.\$1,000 of capital contributed by the owners of the Issuer's ordinary shares in accordance with the Issuer Charter and U.S.\$1,000 representing a profit fee to the owners of the Issuer's ordinary shares, together with, in each case, any interest accruing thereon and the bank account in which such Cash is held and (b) the shares of the Co-Issuer and any assets of the Co-Issuer.

"Excess Interest" means amounts paid to the Preference Share Paying Agent pursuant to clause (17) of the Interest Proceeds Waterfall.

"Financial Sponsor" means any person, including any subsidiary of another person, whose principal business activity is acquiring, holding and selling investments (including controlling interests) in otherwise unrelated companies that each are distinct legal entities with separate management, books and records and bank accounts, whose operations are not integrated one with another and whose financial condition and creditworthiness are independent of the other companies so owned by such person.

"Fixed Rate Security" means any Collateral Debt Security other than (i) a Floating Rate Security or (ii) a Deemed Floating Rate Security.

"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.

"Floating Rate Notes" means the Class A-1S Notes, Class A-1J Notes, Class A-2 Notes, Class B-1 Notes, Class C Notes, Class D Notes and the Class E-1 Notes.

"Fixed Rate Notes" means the Class B-2 Notes and the Class E-2 Notes.

"Floating Rate Security" means any Collateral Debt Security that is expressly stated to bear interest based upon a floating rate index for Dollar-denominated obligations commonly used as a reference rate in the United States or the United Kingdom.

"Form Approved Synthetic Security" means one or more Synthetic Securities, the form of the documents in respect of which either (i) was delivered to each Rating Agency prior to the Closing Date or (ii) has satisfied the Rating Condition with respect to Moody's and Standard & Poor's for use by the Issuer.

"Guaranteed Debt Security" means a CBO/CLO Security or Other ABS guaranteed as to ultimate or timely payment of principal, interest or both principal and interest by a monoline financial insurance company having a long-term debt rating of "Aaa" by Moody's and "AAA" by Standard & Poor's, respectively.

"Healthcare Securities" means Asset-Backed Securities (other than Small Business Loan Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of equipment to hospitals, non-hospital medical facilities, physicians and physician groups for use in the provision of healthcare services, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of lease term for excess usage or wear and tear.

"High-Diversity CBO/CLO 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, or credit exposure to, a portfolio of commercial and industrial bank loans, other asset-backed securities or corporate debt securities or any combination

of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) the loans and securities are obligations of obligors or issuers that represent a relatively diversified pool of obligor credit risk having a Moody's diversity score higher than 20; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans or debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional bank loans and/or debt securities.

"High Yield CBO/CLO Security" means a CBO/CLO Security the terms of which permit the Underlying Portfolio to consist predominantly of high yield corporate loans or debt securities or credit exposure to such loans and securities and, for the avoidance of doubt, is not an Emerging Market CDO Security.

"Home Equity Loan Securities" means Asset-Backed Securities (other than Residential A Mortgage Securities and Residential B Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from balances (including revolving balances) outstanding under loans or lines of credit secured by (but not, upon origination, by a first priority lien on) non-sub prime residential real estate (one to four family properties) the proceeds of which loans or lines of credit are not used to purchase such real estate or to purchase or construct dwellings thereon (or to refinance indebtedness previously so used), 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.

"Incentive Management Fee" means the fee payable by the Issuer to the Collateral Manager (and/or an Affiliate of the Collateral Manager as the Collateral Manager may designate from time to time) if on any Quarterly Distribution Date (including any date on which the Preference Shares are redeemed) the Preference Shareholders have received an annualized IRR of at least 10.0% per annum on the initial aggregate liquidation preference of the Preference Shares for the period from the Closing Date to such Quarterly Distribution Date (after taking into account any distributions made or to be made in respect of the Preference Shares on such Quarterly Distribution Date and all prior Quarterly Distribution Dates in accordance with the Priority of Payments). Such Incentive Management Fee shall be payable by the Issuer on any such Quarterly Distribution Date and on each Quarterly Distribution Date thereafter, in accordance with the Priority of Payments in an amount, with respect to any Quarterly Distribution Date, equal to 10.0% of the sum of (a) the Interest Proceeds (if any) remaining after the payment of all amounts payable pursuant to clauses (1) through (15) of "Priority of Payments—Interest Proceeds" on such Quarterly Distribution Date and (b) the Principal Proceeds (if any) remaining after the payment of all amounts payable pursuant to clauses (1) through (16) of "Priority of Payments—Principal Proceeds") on such Quarterly Distribution Date.

"Initial Cashflow Swap Counterparty" means AIG Financial Products Corp.

"Insurance Company Guaranteed Securities" means any Asset-Backed Security as to which the timely payment of interest when due, and the payment of principal no later than stated legal maturity, is unconditionally guaranteed pursuant to an insurance policy, guarantee or other similar instrument issued by an insurance company organized under the laws of a state of the United States, but only if such insurance policy, guarantee or other similar instrument (1) expires no earlier than such stated maturity, (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) is issued by an insurance company having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset-Backed Security higher than the credit rating assigned by such rating organization to such Asset-Backed Security determined without giving effect to such insurance policy, guarantee or other similar instrument, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other type of Asset-Backed Security.

"Insurance Trust Preferred Securities" means Asset-Backed Securities issued by a trust or other similar issuer whose only material assets are subordinated debt securities and/or preferred stock issued by an insurance company organized under the laws of the United States or any State thereof.

"Interest Coverage Amount" means the sum (without duplication) of (i) the scheduled distributions of interest due (in each case regardless of whether the applicable due date has yet occurred) in the Due Period in which such Measurement Date occurs on (x) the Pledged Collateral Debt Securities and (y) any Eligible Investments held in each Account (except each Hedge Counterparty Collateral Account, the Cashflow Swap Counterparty Collateral Account, each Synthetic Security Issuer Account and each Class A-1S Noteholder Prepayment Account and in the case of each Synthetic Security Counterparty Account, only to the extent the Issuer is entitled to receive such interest), in each case, whether such Eligible Investments were purchased with Interest Proceeds or Principal Proceeds plus (ii) any fees actually received by the Issuer during such Due Period that constitute Interest Proceeds and the amounts released from the Semi-Annual Interest Reserve Account, the Interest Reserve Account, the Synthetic Security Counterparty Account and the Uninvested Proceeds Account (to the extent such amounts constitute Interest Proceeds) on or prior to the related Quarterly Distribution Date plus (iii) the amount, if any, scheduled to be paid to the Issuer by each Hedge Counterparty under each Hedge Agreement on or prior to the Quarterly Distribution Date relating to such Due Period (excluding any termination payments) and the amount, if any, scheduled to be paid to the Issuer by each Synthetic Security Counterparty on or prior to the Quarterly Distribution Date (excluding any termination payments) plus (iv) the amount, if any, scheduled to be paid to the Issuer by the Cashflow Swap Counterparty under the Cashflow Swap Agreement on the Quarterly Distribution Date relating to such Due Period (excluding any termination payments) minus (v) the amount, if any, scheduled to be paid to the payment of taxes and filing and registration fees owed by the Co-Issuers on the Quarterly Distribution Date relating to such Due Period minus (vi) the amount, if any, scheduled to be applied on the Quarterly Distribution Date relating to such Due Period to the payment of the accrued and unpaid Administrative Expenses of the Co-Issuers to the extent that such payments do not exceed the limit in clause (2) under "Description of the Notes—Priority of Payments—Interest Proceeds," minus (vii) the amount, if any, scheduled to be paid to the Collateral Manager of accrued and unpaid Senior Management Fee on the Quarterly Distribution Date relating to such Due Period minus (viii) the amount, if any, scheduled to be paid to each Hedge Counterparty under each Hedge Agreement on the Quarterly Distribution Date relating to such Due Period minus (ix) the amount, if any, scheduled to be paid to the Cashflow Swap Counterparty on account of accrued and unpaid fees and expenses and all other amounts due under clause (6) under "Priority of Payments—Interest Proceeds" on the Quarterly Distribution Date relating to such Due Period minus (x) the amount of Interest Proceeds applied to pay termination payments under the Synthetic Securities pursuant to the Indenture during the Due Period in which the Measurement Date occurs.

"Interest Distribution Amount" means, with respect to any Class of Notes and any Quarterly Distribution Date, the sum of (a) the aggregate amount of interest accrued at the annual rate at which interest accrues on the Notes of such Class applicable for the Interest Period relating to such Class during the period from, and including, the immediately preceding Quarterly Distribution Date to, but excluding, such Quarterly Distribution Date, on the aggregate outstanding principal amount of the Notes of such Class on the first day of such Interest Period (after giving effect to any redemption of the Notes of such Class or other payment of principal of the Notes of such Class on any preceding Quarterly Distribution Date) plus (b) any Defaulted Interest in respect of the Notes of such Class and accrued interest thereon.

"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 interest on Written Down Amounts) received in Cash by the Issuer during such Due Period (excluding accrued interest included in Principal Proceeds pursuant to paragraph (8) of the definition of Principal Proceeds); (2) all accrued interest received in Cash by the Issuer with respect to Collateral Debt Securities sold by the Issuer (excluding (a) Sale Proceeds received in respect of Defaulted Securities, Deferred Interest PIK Bonds and Written Down Amounts (until the Issuer has received the greater of the original purchase price paid by the Issuer or the par or face amount thereof), and (b) accrued interest included in Principal Proceeds pursuant to paragraph (8) of the definition of Principal Proceeds); (3) all payments of interest (including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) on Eligible Investments in any Account (except any Hedge Counterparty Collateral Account, the Cashflow Swap Counterparty Collateral Account, any Synthetic Security Issuer Account, any Synthetic Security Counterparty Account and any Class A-1S Noteholder Prepayment Account received in Cash by the Issuer during such Due Period and all payments of principal, including repayments, on

Eligible Investments purchased with amounts from the Interest Collection Account received by the Issuer during such Due Period; (4) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in Cash by the Issuer during such Due Period in connection with such Collateral Debt Securities and Eligible Investments (other than fees and commissions received in respect of Defaulted Securities, and Written Down Amounts and yield maintenance payments included in Principal Proceeds pursuant to clause (9) of the definition thereof); (5) all payments received in Cash by the Issuer pursuant to each Hedge Agreement (excluding any payments received by the Issuer by reason of the occurrence of an event of default or termination event, other than the portion of any scheduled payment to the Issuer which accrued prior to termination) less any scheduled payments payable by the Issuer under each Hedge Agreement during such Due Period; (6) all Cashflow Swap Payments received in Cash by the Issuer during such Due Period (*provided* that Cashflow Swap Payments (excluding any amounts so payable in respect of a termination of the Cashflow Swap Agreement) will only constitute "Interest Proceeds" for purposes of this definition to the extent that the Issuer uses such Cashflow Swap Payments to pay the amounts set forth in clause (5) of the "Priority of Payments—Interest Proceeds," (7) all amounts on deposit in the Expense Account, the Semi-Annual Interest Reserve Account, the Uninvested Proceeds Account and the Interest Reserve Account that are transferred to the Payment Account for application as Interest Proceeds as described under "Security for the Notes—The Accounts," respectively; (8) interest on securities credited to any Synthetic Security Counterparty Account that are not payable to a Synthetic Security Counterparty and all payments by a Synthetic Security Counterparty under a Synthetic Security on or prior to the Quarterly Distribution Date (but after the prior Quarterly Distribution Date); *provided* that (x) Interest Proceeds shall in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in of the definition thereof or (ii) any Excepted Property and (y) payments made by each Hedge Counterparty, Synthetic Security Counterparty or the Cashflow Swap Counterparty on or prior to a Quarterly Distribution Date will be deemed to have been made during the related Due Period.

"Inverse Floater Security" means a Fixed Rate Security which has a coupon rate or interest rate that varies with a short term interest rate index in such a way that the yield is inversely related to the market rate of interest.

"Investment Company Act" means the United States Investment Company Act of 1940, as amended, and the rules thereunder.

"IRR" means with respect to each Quarterly Distribution Date, the rate of return on the Preference Shares that would result in a net present value of zero, assuming (a) the original aggregate liquidation preference of the Preference Shares is an initial negative cash flow on the Closing Date and all distributions, if any, on such Quarterly Distribution Date and each preceding Quarterly Distribution Date are positive cash flows, (b) the initial date for the calculation is the Closing Date, (c) the number of days to each subsequent Quarterly Distribution Date from the Closing Date is calculated on the basis of a 360-day year consisting of twelve 30-day months and (d) the calculation is made on a bond-equivalent yield basis.

"Issue" of Collateral Debt Securities means Collateral Debt Securities issued by the same issuer, secured by the same collateral pool.

"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 of (i) the current duration of such Fixed Rate Security (calculated by the Collateral Manager on a commercially reasonable basis 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.

"Low-Diversity CBO/CLO 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, or credit exposure to, a portfolio of commercial and industrial bank loans, other asset-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) the loans and securities are obligations of a pool of obligors or issuers that represent a relatively undiversified pool of obligor credit risk having a Moody's diversity score of 20 or lower; (3) repayment

thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans or debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional bank loans and/or debt securities.

"Majority-in-Interest of Preference Shareholders" means, at any time, Preference Shareholders holding more than 50% of all Preference Shares.

"Manufactured Housing Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from manufactured housing (also known as mobile homes and prefabricated homes) installment sales contracts and installment loan agreements, generally having the following characteristics: (1) the contracts and loan agreements have varying, but typically lengthy contractual maturities; (2) the contracts and loan agreements are secured by the manufactured homes and, in certain cases, by mortgages and/or deeds of trust on the real estate to which the manufactured homes are deemed permanently affixed; (3) the contracts and/or loans are obligations of a large number of obligors and accordingly represent a relatively diversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (5) in some cases, obligations are fully or partially guaranteed by a governmental agency or instrumentality.

"Margin Stock" means "margin stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System.

"Master Forward Sale Agreement" means the Master Forward Sale Agreement dated as of the Closing Date between Merrill Lynch International and the Issuer.

"Measurement Date" means any of the following: (a) the Closing Date; (b) the Ramp-Up Completion Date; (c) any date after the Ramp-Up Completion Date on which the Issuer disposes of a Collateral Debt Security or on which a Collateral Debt Security becomes a Defaulted Security or Deferred Interest PIK Bond; (d) each Determination Date; (e) the last Business Day of each calendar month (other than any calendar month before a month in which a Determination Date occurs and any calendar month ending prior to the Ramp-Up Completion Date); (f) any date during the Substitution Period on which the Issuer acquires a Collateral Debt Security; and (g) with reasonable 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 aggregate outstanding principal amount of any Class of Notes requests to be a "Measurement Date"; *provided* that if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the next succeeding day that is a Business Day.

"Mutual Fund Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of brokerage fees and costs relating to various mutual funds, generally having the following characteristics: (1) the brokerage arrangements have standardized payment terms and require minimum payments; (2) the brokerage fees and costs arise out of numerous mutual funds and accordingly represent a very diversified pool of credit risk; and (3) the collection of brokerage fees and costs can vary substantially from the contractual payment schedule (if any), with collection depending on numerous factors specific to the particular mutual funds, interest rates and general economic matters.

"NASD" means the National Association of Securities Dealers.

"Net Outstanding Portfolio Collateral Balance" means, as of any Measurement Date, an amount equal to (a) the aggregate Principal Balance on such Measurement Date of all Pledged Collateral Debt Securities plus (b) without duplication, the aggregate amount of all Principal Proceeds and Uninvested Proceeds held as Cash and the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds or Uninvested Proceeds and any amount on deposit at such time in the Principal Collection Account or the Uninvested Proceeds

Account (without duplication) minus (c) the aggregate Principal Balance on such Measurement Date of all Pledged Collateral Debt Securities that are Defaulted Securities or Deferred Interest PIK Bonds plus (d) for each Defaulted Security or Deferred Interest PIK Bond, the Calculation Amount with respect to such Defaulted Security or Deferred Interest PIK Bond minus (e) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the (1) Overcollateralization Tests and the Class A/B/C/ Sequential Pay Test and (2) where used in the Collateral Management Agreement for calculations specified therein, the Overcollateralization Haircut Amount on such Measurement Date, if any. Solely for purposes of the "Eligibility Criteria" and as used in the definition of "Fair Market Value," on each Measurement Date occurring on or prior to the Ramp-Up Completion Date, the Net Outstanding Portfolio Collateral Balance shall equal U.S.\$250,000,000. Solely for purposes of clause (2)(a) under "Description of the Notes–Priority of Payments–Interest Proceeds," on the first Quarterly Distribution Date on or after the Ramp-Up Completion Date, the Net Outstanding Portfolio Collateral Balance on the first day of the related Due Period shall be deemed to be equal to the average of the Net Outstanding Portfolio Collateral Balance on the first and last day of the related Due Period.

"Non-U.S. Obligor" means an obligor on any Collateral Debt Security (including a Reference Obligor on a Synthetic Security) that is organized under the laws of any jurisdiction other than the United States of America or any State thereof; *provided* that, with respect to any Asset-Backed Security, if (a) the relevant obligor on such Collateral Debt Security is organized under the laws of the Bahamas, Bermuda, the Cayman Islands, the Channel Islands, the Netherlands Antilles or any other similar jurisdiction generally imposing either no or nominal taxes on the income of companies organized under the law of such jurisdiction and (b) the percentage of the underlying collateral with respect to such Asset-Backed Security represented by obligors organized in the United States or any State thereof equals or exceeds 75% of the aggregate principal balance of such underlying collateral, such Asset-Backed Security shall not be considered to be issued by or related to a "Non-U.S. Obligor" for purposes of this definition.

"Noteholder" means the person in whose name a Note is registered in the Note Register.

"Offer" means, with respect to any security, (a) any offer by the issuer of such security or by any other person made to all of the holders of such security to purchase or otherwise acquire such security (other than pursuant to any redemption in accordance with the terms of the related Underlying Instruments) or to convert or exchange such security into or for Cash, securities or any other type of consideration or (b) any solicitation by the issuer of such security or any other person to amend, modify or waive any provision of such security or any related Underlying Instrument.

"Oil and Gas Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide oil and gasoline and provide other services related thereto and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"Original Purchaser" means a purchaser of Offered Securities on or about the Closing Date.

"Other ABS" means (a) an Asset-Backed Security (other than a CBO/CLO Security) issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of receivables, debt obligations, debt securities or finance leases subject to specified acquisition or investment and management criteria or (b) a beneficial interest in a trust all of the assets of which would satisfy the Eligibility Criteria, in either case which is of a Specified Type.

"Overcollateralization Haircut Amount" means (i) with respect to any date of determination, other than for purposes of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Tests, the sum of the following:

(a) the product of (i) 50% and (ii) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) that have a Moody's Rating of "Caa1" or lower;

(b) the product of (i) 30% and (ii) the excess (if any) of (A) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) that have a Standard & Poor's Rating of "CCC+" or lower over (B) 5% (or, if lower, the Unutilized Percentage) of the Net Outstanding Portfolio Collateral Balance (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds);

(c) the product of (i) 20% and (ii) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) that have a Moody's Rating of "B1", "B2" or "B3";

(d) the product of (i) 20% and (ii) the excess (if any) of (A) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) that have a Standard & Poor's Rating of "B+", "B" or "B-" ("B Securities") over (B) 5% (or, if lower, the Unutilized Percentage) of the Net Outstanding Portfolio Collateral Balance (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds);

(e) the product of (i) 10% and (ii) the excess (if any) of (A) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) that have a Moody's Rating of "Ba1", "Ba2" or "Ba3" over (B) 50% of the Net Outstanding Portfolio Collateral Balance (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds); and

(f) the product of (i) 10% and (ii) the excess (if any) of (A) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) that have a Standard & Poor's Rating of "BB+", "BB" or "BB-" ("BB Securities") over (B) 55% of the Net Outstanding Portfolio Collateral Balance (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds).

If a Pledged Collateral Debt Security falls within more than one of the foregoing clauses, then, as of the Measurement Date on which the Rating of the Pledged Collateral Debt Security first caused it to be included in more than one such clause, such Pledged Collateral Debt Security shall be included only in the clause that, as of such Measurement Date, results in the greatest Overcollateralization Haircut Amount (and not in any of the other clauses), and such Pledged Collateral Debt Security shall remain in such clause until the next Measurement Date on which the Rating thereof is changed in a way that would cause it to fall into an additional clause or clauses (in which case it shall be included only in the clause that, as of such Measurement Date, results in the greatest Overcollateralization Haircut Amount), out of a clause or clauses it was previously in or into none of the above clauses.

"Unutilized Percentage" means, (i) in the case of clause (d) above, the excess (if any) of 55% over the percentage of the Net Outstanding Portfolio Collateral Balance (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) consisting of BB Securities, and (ii) in the case of clause (b) above, the excess (if any) of 55% over the percentage of the Net Outstanding Portfolio Collateral Balance (other than Defaulted

Securities, Written Down Securities and Deferred Interest PIK Bonds) consisting of BB Securities and B Securities; provided, however, that the sum of the Unutilized Percentages under clause (i) and clause (ii) shall not exceed 5%.

(ii) solely for purposes of calculating the Net Outstanding Portfolio Balance in connection with the Class A/B/C Sequential Pay Test, with respect to any date of determination, the sum of the following:

(a) the product of (i) 50% and (ii) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) that have a Standard & Poor's Rating of "CCC+" or lower;

(b) the product of (i) 30% and (ii) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) that have a Standard & Poor's Rating of "B+", "B" or "B-"; and

(c) the product of (i) 10% and (ii) the excess (if any) of (A) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) that have a Standard & Poor's Rating of "BB+", "BB" or "BB-" over (B) 50% of the Net Outstanding Portfolio Collateral Balance (other than Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds).

If a Pledged Collateral Debt Security falls within more than one of the foregoing clauses, then, as of the Measurement Date on which the Rating of the Pledged Collateral Debt Security first caused it to be included in more than one such clause, such Pledged Collateral Debt Security shall be included only in the clause that, as of such Measurement Date, results in the greatest Overcollateralization Haircut Amount (and not in any of the other clauses), and such Pledged Collateral Debt Security shall remain in such clause until the next Measurement Date on which the Rating thereof is changed in a way that would cause it to fall into an additional clause or clauses (in which case it shall be included only in the clause that, as of such Measurement Date, results in the greatest Overcollateralization Haircut Amount), out of a clause or clauses it was previously in or into none of the above clauses.

"PIK Bond" means any CBO/CLO Security that, pursuant to the terms of the related Underlying Instruments, permits the payment of interest thereon to be deferred or capitalized as additional principal thereof or that issues identical securities in place of payments of interest in Cash.

"PFIC Equity Security" means a security issued by a passive foreign investment company for U.S. Federal income tax purposes that is treated by its issuer as equity for U.S. Federal income tax purposes, as disclosed in the applicable offering document or similar document, whether issued in the form of debt or equity under the applicable governing law of such security.

"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.

"Post-Acceleration Maturity Date" means any Quarterly Distribution Date following the occurrence of an Event of Default and the declaration of the Notes as due and payable pursuant to the Indenture (unless such Event of Default is no longer continuing or such acceleration of the Notes has been rescinded).

"Preference Share Documents" means the Issuer Charter and related resolutions, the Preference Share Paying Agency Agreement and certain resolutions passed by the Issuer's Board of Directors concerning the Preference Shares.

"Preference Share Redemption Date Amount" means, in respect of any Quarterly Distribution Date, the amount required (after taking into account any dividends or other distributions made or to be made to the holders of the Preference Shares on such Quarterly Distribution Date and all prior Quarterly Distribution Dates in accordance with the Priority of Payments) to ensure that, after distribution of such amount to the Preference Shareholders, such Preference Shareholders shall have received (x) for any Quarterly Distribution Date from and including May 14, 2014 to but excluding May 14, 2016, an IRR of not less than 12.0% 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 May 14, 2016 to but excluding May 14, 2018, an IRR of not less than 8.0% per annum on the Preference Shares for the period from the Closing Date to such Quarterly Distribution Date and (z) for any Quarterly Distribution Date after and including May 14, 2018, an IRR of not less than 0% per annum on the Preference Shares for the period from the Closing Date to such Quarterly Distribution Date.

"Principal Balance" or **"par"** means, with respect to any pledged security or other Collateral Debt Security, as of any date of determination, the outstanding principal amount 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 any Synthetic Security that does not provide that the Issuer has any (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after an initial payment thereunder, the aggregate principal amount of such Synthetic Security and (ii) 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; and

(e) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with any Overcollateralization Test or the Class A/B/C Sequential Pay Test, the Principal Balance of any Written Down Security shall be its outstanding principal amount or certificate balance, as applicable, 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).

"Principal Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (1) all Uninvested Proceeds (other than any such Uninvested Proceeds (i) treated as Interest proceeds, or (ii) designated to be used to complete commitments to purchase Collateral Debt Securities entered into by the Issuer prior to the Ramp-Up Completion Date) remaining on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date; (2) all payments of principal of the Collateral Debt Securities received in Cash by the Issuer during such Due Period including prepayments or mandatory sinking fund payments, or payments in respect of optional redemptions, exchange offers, tender offers, recoveries on Defaulted Securities and Written Down Amounts (but only to the extent of the greater of (x) the applicable par or face amount of such securities and (y) the applicable original purchase price paid by the Issuer for such securities), including the proceeds of a sale of any Equity Security and any amounts received as a result of optional redemptions, exchange offers, tender offers for any Equity Security received in Cash by the Issuer during such Due Period; (3) Sale Proceeds received in Cash by the Issuer during such Due Period (including as a result of the sale of any Credit Improved Security, Credit Risk Security, Deferred Interest PIK Bond or Defaulted Security, but in each case excluding accrued interest included in Interest Proceeds as defined herein) and proceeds of terminations of Synthetic Securities; (4) all payments of principal on Eligible Investments purchased with amounts from the Principal Collection Account or Uninvested Proceeds Account (excluding any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) received in Cash by the Issuer during such Due Period; (5) all amendment, waiver, late payment fees and other fees and commissions, received in Cash by the Issuer during such Due Period in respect of Defaulted Securities and Written Down Securities (but only to the extent that the Issuer has not recovered the greater of the purchase price paid by the Issuer and the par or face amount of such securities); (6) any proceeds (other than any portion thereof consisting of a scheduled payment to the Issuer which accrued prior to termination) resulting from the termination and liquidation

of each Hedge Agreement or the Cashflow Swap Agreement, as the case may be, received in Cash by the Issuer during such Due Period and, if the Issuer enters into such replacement Hedge Agreement or replacement Cashflow Swap Agreement, as the case may be, to the extent such proceeds exceed the cost of entering into a replacement Hedge Agreement or the replacement Cashflow Swap Agreement, as the case may be, in accordance with the requirements of the Indenture and to the extent that such proceeds are not included in Interest Proceeds pursuant to clause (5) of the definition thereof; (7) all payments received in Cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums; (8) all payments of interest received in cash by the Issuer during such Due Period to the extent that they represent accrued and unpaid interest to the date of purchase on Collateral Debt Securities purchased after the Ramp-Up Completion Date; (9) yield maintenance payments received in Cash by the Issuer during such Due Period; (10) all payments of interest on Defaulted Securities and Written Down Amounts received in Cash by the Issuer during such Due Period and any other payments in respect thereof not addressed in clauses (1) through (9) above received in Cash by the Issuer during such Due Period; (11) cash and Eligible Investments (other than investment income) released from a Synthetic Security Counterparty Account after termination of the related Synthetic Security and (12) all other payments received in such Due Period in connection with the Collateral Debt Securities and Eligible Investments (other than those standing to the credit of each Hedge Counterparty Collateral Account, the Cashflow Swap Counterparty Collateral Account, any Synthetic Security Issuer Account, any Synthetic Security Counterparty Account or any Class A-1S Noteholder Prepayment Account) that are not included in Interest Proceeds; *provided* that in no event will Principal Proceeds include the U.S.\$1,000 of capital contributed by the owners of the ordinary shares of the Issuer in accordance with the Issuer Charter or U.S.\$1,000 representing a profit fee to the Issuer.

"Pro Rata Pay Period" means any Quarterly Distribution Date which does not occur during a Sequential Pay Period.

"Project Finance Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (1) the sale of products, such as electricity, nuclear energy, steam or water, in the utility industry by a special purpose entity formed to own the assets generating or otherwise producing such products and such assets were or are being constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to such assets and the land on which they are located) or (2) fees or other usage charges, such as tolls collected on a highway, bridge, tunnel or other infrastructure project, collected by a special purpose entity formed to own one or more such projects that were constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to the project and the land on which it is located).

"Purchase Agreement" means the agreement dated as of the Closing Date between the Initial Purchaser and the Co-Issuers relating to the placement of the Notes and Preference Shares.

"Pure Private Collateral Debt Security" means any Collateral Debt Security other than (a) a Collateral Debt Security that was issued pursuant to an effective registration statement under the Securities Act or (b) a privately placed Collateral Debt Security that is eligible for resale under Rule 144A or Regulation S under the Securities Act.

"Qualified Institutional Buyer" has the meaning given in Rule 144A under the Securities Act.

"Qualified Purchaser" means (a) a "qualified purchaser" as defined in the Investment Company Act, or (b) a company beneficially owned exclusively by one or more "qualified purchasers."

"Qualifying Foreign Obligor" means a corporation, partnership or other entity organized in any of Australia, Canada, France, Germany, Ireland, New Zealand, Sweden, Switzerland or the United Kingdom, so long as (a) the unguaranteed, unsecured and otherwise unsupported long-term Dollar sovereign debt obligations of such country are rated "Aa2" or better by Moody's (and, if rated "Aa2," are not on watch for possible downgrade by Moody's) and (b) the foreign currency rating of such country is rated "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; *provided* that, with respect to the first

Quarterly Distribution Date on or after the Ramp-Up Completion Date, the Quarterly Asset Amount shall mean the average of the Net Outstanding Portfolio Collateral Balance on the first and last day of the related Due Period.

"Ramp-Up Completion Date" means the date that is the earlier of (a) April 14, 2006 and (b) the first day on which the aggregate Principal Balance of the Pledged Collateral Debt Securities plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account is at least equal to U.S.\$250,000,000 (in each case, assuming for these purposes (i) settlement in accordance with customary settlement procedures in the relevant markets on the Ramp-Up Completion Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Ramp-Up Completion Date and (ii) that each such Collateral Debt Security is a Pledged Collateral Debt Security).

"Ramp-Up Test Date" means February 14, 2006.

"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 specifies either Standard & Poor's or Moody's in respect of such action, the specified Rating Agency) has confirmed in writing to the Trustee that such action will not result in the withdrawal, reduction or other adverse action with respect to any then-current rating (including any private or confidential rating) by such Rating Agency of any Class of Notes.

"Recreational Vehicle Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from installment sale loans made to finance the acquisition of, or from leases of, recreational vehicles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessees and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessees under the loans or leases generally do not have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the recreational vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Redemption Date" means any date set for a redemption of Notes pursuant to an Auction Call Redemption, a Tax Redemption or an Optional Redemption, or if such date is not a Business Day, the next following Business Day.

"Redemption Price" means, with respect to any Note to be redeemed pursuant to an Auction Call Redemption, a Tax Redemption or an Optional Redemption, an amount (determined without duplication), equal to (i) the aggregate outstanding principal 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) plus (iii) in the case of any reduction in the related Commitment in respect of any Class A-1S Note, an amount equal to accrued Commitment Fee on the amount of such reduction *provided that*, in the case of a Tax Redemption where the Holders of 100% of the aggregate outstanding principal 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 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).

"Reference Obligation" means (a) any CBO/CLO Security or (b) Other ABS.

"Reference Obligor" means the obligor on a Reference Obligation.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Reimbursement Amounts" means, as of any Quarterly Distribution Date, the sum of each of the Class A-1S Reimbursement Amount, the Class A-1J Reimbursement Amount, the Class A-2 Reimbursement Amount, the Class B-1 Reimbursement Amount, the Class B-2 Reimbursement Amount and the Class C Reimbursement Amount as of such Quarterly Distribution Date.

"REIT Debt Securities" means each of REIT Debt Securities—Diversified, REIT Debt Securities—Health Care, REIT Debt Securities—Hotel, REIT Debt Securities—Industrial, REIT Debt Securities—Mortgage, REIT Debt Securities—Multi-Family, REIT Debt Securities—Office, REIT Debt Securities—Residential, REIT Debt Securities—Retail and REIT Debt Securities—Storage.

"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 (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 (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 (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 (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 (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 (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 (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 (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 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 Securities" means Asset-Backed Securities issued by a trust or other similar issuer whose only material assets are subordinated debt securities and/or preferred stock issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) or its subsidiaries.

"Residential A Mortgage Securities" means Asset-Backed Securities (other than Residential B/C Mortgage Securities and Home Equity Loan Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (one to four 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 (other than Residential A Mortgage Securities and Home Equity Loan Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by subprime residential real estate (one to four family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have generally not been underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan); (2) the mortgage loans have standardized payment terms and require minimum monthly payments; (3) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"Restaurant and Food Services Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (a) a pool of franchise loans made to

operators of franchises that provide goods and services relating to the restaurant and food services industries and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"SEC" means the United States Securities and Exchange Commission.

"Sale Proceeds" means (i) all proceeds received as a result of sales 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 sale of any Deliverable Obligations delivered in respect thereof and any distribution received (other than interest income) in respect of property credited to a Synthetic Security Counterparty Account and any termination payment made by the Synthetic Security Counterparty if the Synthetic Security 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) in accordance with the Indenture.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Senior Management Fee" means the fee payable to the Collateral Manager (and/or an Affiliate of the Collateral Manager that the Collateral Manager may designate from time to time) in arrears on each Quarterly Distribution Date pursuant to the Collateral Management Agreement, in an amount equal to 0.20% per annum of the Quarterly Asset Amount for such Quarterly Distribution Date; *provided* that the Senior Management Fee will be payable on each Quarterly Distribution Date only to the extent of funds available for such purpose in accordance with the Priority of Payments. Any accrued but unpaid Senior Management Fee will be deferred. Any unpaid Senior Management Fee that is deferred (whether as a result of the operation of the Priority of Payments as described herein or at the option of the Collateral Manager) shall be paid on the next succeeding Quarterly Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments and shall accrue interest at LIBOR. Any Senior 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.

"Servicer" means, with respect to any Collateral Debt Security, the entity (howsoever described in the applicable Underlying Instrument) that, absent any default, event of default or similar condition (however described), is primarily responsible for managing, servicing, monitoring and otherwise administering the cash flows from which payments to investors in such Collateral Debt Security is made.

"Sequential Pay Period" means the period commencing on the earliest to occur of (a) the first date on which the aggregate Principal Balance of all Pledged Collateral Debt Securities held by the Issuer is less than 50% of the Net Outstanding Portfolio Collateral Balance as of the Ramp-Up Completion Date, (b) any Determination Date on which the Class A/B/C Overcollateralization Test is not satisfied and Principal Proceeds are applied on the related

Quarterly Distribution Date pursuant to clause (2) of the Principal Proceeds Waterfall to cure (in part or in whole) the breach of the Class A/B/C Overcollateralization Test, (c) any Determination Date on which an Event of Default which has occurred and is continuing and (d) any Determination Date on which the Class A/B/C Sequential Pay Test is not satisfied; *provided* that if a Sequential Pay Period has commenced pursuant to clause (c), such Sequential Pay Period will end on the date the Event of Default has been cured (unless the Notes have been declared due and payable). For the avoidance of doubt, if on a Determination Date the Issuer fails to satisfy a Class A/B/C Overcollateralization Test and such Class A/B/C Overcollateralization Test is satisfied through the application of Interest Proceeds on the related Quarterly Distribution Date, the Principal Proceeds on such Quarterly Distribution Date shall be distributed as if it is a Pro Rata Pay Period.

"Small Business Loan Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from general purpose corporate loans made to "small business concerns" (generally within the meaning given to such term by regulations of the United States Small Business Administration), including those (a) made pursuant to Section 7(a) of the United States Small Business Act, as amended, and (b) partially guaranteed by the United States Small Business Administration. Small Business Loan Securities generally have the following characteristics: (1) the loans have payment terms that comply with any applicable requirements of the Small Business Act, as amended; (2) the loans are obligations of a relatively limited number of borrowers and accordingly represent an undiversified pool of obligor credit risk; and (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"Special Majority-In-Interest of Preference Shareholders" means, at any time, Preference Shareholders holding more than 66-2/3% of all Preference Shares.

"Special Purpose Vehicle Jurisdiction" means (a) the Cayman Islands, the Bahamas, Bermuda, the Netherlands Antilles or the Channel Islands and (b) any other jurisdiction that (x) is commonly used as the place of organization of special or limited purpose vehicles that issue Asset-Backed Securities, (y) that generally imposes no or nominal tax on the income of special purpose vehicles and (z) the designation of which as a Special Purpose Vehicle Jurisdiction satisfies the Rating Condition.

"Specified Deferred Interest PIK Bond" means, as of any date of determination, a Deferred Interest PIK Bond that, as of such date, has been a Deferred Interest PIK Bond for two consecutive years from the date on which such PIK Bond last became a Deferred Interest PIK Bond.

"Specified Principal Proceeds" means, with respect to any Due Period, (i) all payments of principal of any Collateral Debt Security (excluding any amount representing the accreted portion of a discount from the face amount of a Collateral Debt Security and excluding any Sale Proceeds) received in Cash by the Issuer during such Due Period, including prepayments, mandatory redemption payments or mandatory sinking fund payments, payments in respect of optional redemptions, exchange offers or tender offers, (ii) all Sale Proceeds from, and all payments received in respect of, any Defaulted Security, Equity Security, Deferred Interest PIK Bond or Deliverable Obligation that is a Defaulted Security made since such security became a Defaulted Security, Deferred Interest PIK Bond or Deliverable Obligation that is a Defaulted Security and during such Due Period, up to an amount equal to the par amount thereof at the time of determination and (iii) all Sale Proceeds (other than accrued interest treated as Interest Proceeds included therein) from Credit Risk Securities, Credit Improved Securities and Discretionary Sales that were not reinvested within the applicable time period permitted under the Indenture.

"Specified Type" means, with respect to any CBO/CLO Security or Other ABS, whether such CBO/CLO Security or Other ABS is: (1) an Aerospace and Defense Security; (2) an Asset-Backed CBO/CLO Security; (3) an Automobile Security; (4) a Bank Guaranteed Security; (5) a Car Rental Receivable Security; (6) a CMBS Conduit Security; (7) a CMBS Credit Tenant Lease Security; (8) a CMBS Large Loan Security; (9) a Corporate CBO/CLO Security; (10) a Credit Card Security; (11) an Emerging Market CDO Security; (12) a Healthcare Security; (13) a High Yield CBO/CLO Security; (14) a Home Equity Loan Security; (15) an Insurance Company Guaranteed Security; (16) a CLO Security; (17) a Manufactured Housing Security; (18) a Mutual Fund Security; (19) an Oil and Gas Security; (20) a Project Finance Security; (21) a Recreational Vehicle Security; (22) a REIT Debt

Security-Diversified; (23) a REIT Debt Security-Health Care; (24) a REIT Debt Security-Hotel; (25) a REIT Debt Security-Industrial; (26) a REIT Debt Security-Mortgage; (27) a REIT Debt Security-Multi-Family; (28) a REIT Debt Security-Office; (29) a REIT Debt Security-Residential; (30) a REIT Debt Security-Retail; (31) a REIT Debt Security-Storage; (32) a Residential A Mortgage Security; (33) a Residential B/C Mortgage Security; (34) a Restaurant and Food Services Security; (35) a Small Business Loan Security; (36) a Structured Settlement Security; (37) a Student Loan Security; (38) a Subprime Automobile Security; (39) a Tax Lien Security; (40) a Time Share Security; (41) a Trust Preferred CBO/CLO Security or (42) a CDO of CDOs.

"Stated Maturity" means, with respect to (a) any security (other than a Note or Combination Security), the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, (b) any repurchase obligation, the repurchase date thereunder on which the final repurchase obligation thereunder is due and payable and (c) any Note or Combination Security, the Quarterly Distribution Date in November 2043, or, in each case, if such date is not a Business Day, the next following Business Day.

"Step-Down Bond" means a security which by the terms of the related Underlying Instrument provides for a decrease, in the case of a Fixed Rate Security, in the per annum interest rate on such security or, in the case of a Floating Rate Security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Down Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of acquisition by the Issuer. Notwithstanding anything to the contrary contained herein, in calculating any Collateral Quality Test by reference to the spread (in the case of a floating rate Step-Down Bond) or coupon (in the case of a fixed rate Step-Down Bond) of a Step-Down Bond, the spread or coupon on any date shall be deemed to be the lowest spread or coupon, respectively, scheduled to apply to such Step-Down Bond on or after such date.

"Step-Up Bond" means a security which by the terms of the related Underlying Instrument provides for an increase, in the case of a Fixed Rate Security, in the per annum interest rate on such security or, in the case of a Floating Rate Security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Up Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of acquisition by the Issuer. Notwithstanding anything to the contrary contained herein, in calculating any Coverage Test or Collateral Quality Test by reference to the spread (in the case of a floating rate Step-Up Bond) or coupon (in the case of a fixed rate Step-Up Bond) of a Step-Up Bond, the spread or coupon on any date shall be deemed to be the spread or coupon stated to be payable in Cash and in effect on such date.

"Structured Settlement Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from receivables representing the right of litigation claimants to receive future scheduled payments under settlement agreements that are funded by annuity contracts, which receivables may have varying maturities.

"Student Loan Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from loans made to students (or their parents) to finance educational needs, generally having the following characteristics: (1) the loans have standardized terms; (2) the loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such loans is primarily determined by a contractual payment schedule, with early repayment on such loans predominantly dependent upon interest rates and the income of borrowers following the commencement of amortization; and (4) such loans may be fully or partially insured or reinsured by the United States Department of Education.

"Subordinate Management Fee" means the fee payable to the Collateral Manager (and/or an Affiliate of the Collateral Manager as the Collateral Manager may designate from time to time) in arrears on each Quarterly Distribution Date pursuant to the Collateral Management Agreement, in an amount equal to 0.30% per annum of the Quarterly Asset Amount for such Quarterly Distribution Date; *provided* that the Subordinate 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 Subordinate Management Fee will be deferred. Any unpaid

Subordinate Management Fee that is deferred (whether as a result of the operation of the Priority of Payments as described herein or at the option of the Collateral Manager) shall be paid on the next succeeding Quarterly Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments and shall not accrue interest. Any Subordinate 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.

"Subprime Automobile Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from subprime installment sale loans made to finance the acquisition of, or from leases of, automobiles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessors and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessors under the loans or leases have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Synthetic Security" means any swap transaction (which may be a credit default swap, a total return swap or a combination of both), credit-linked note, credit derivative, structured bond investment or other investment (or any combination of the foregoing) purchased from, or entered into by the Issuer with, a Synthetic Security Counterparty which investment contains a probability of default, recovery upon default and expected loss characteristics closely correlated to a Reference Obligation or a Reference Obligor, but which may provide for a different maturity, interest rate or other non-credit characteristics than such Reference Obligation (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 Defeased Synthetic Security; (b) such Synthetic Security terminates upon the redemption or repayment in full of such Reference Obligation; (c) 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, (d) if such Synthetic Security is not a Form Approved Synthetic Security, the Trustee has been notified in writing of the Applicable Recovery Rate assigned by Moody's and the Moody's Rating Factor assigned by Moody's and the Applicable Recovery Rate assigned by Standard & Poor's; (e) 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 any withholding tax imposed at any time; (f) the acquisition (including the manner of acquisition), ownership, entry into, holding, disposition and enforcement of such Synthetic Security will not subject the Issuer to taxation on a net income tax basis in any jurisdiction outside of its jurisdiction of incorporation or cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. Federal income tax purposes; (g) the agreements relating to such Synthetic Security contain "non-petition" and "limited recourse" provisions with respect to the Issuer and (h) 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 to the Issuer into the Synthetic Security Issuer Account.

"Synthetic Security Counterparty" means any entity that is required to make one or more payments on a Synthetic Security if on the date such Synthetic Security is acquired (or entered into) by the Issuer, such entity (or the guarantor of such entity's obligations under such Synthetic Security) is rated at least "A" by Standard & Poor's or has a short-term issuer credit rating from Standard & Poor's of at least "A-1" and has a long-term unsecured debt rating from Moody's of at least "Aa3" (and 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 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

"Synthetic Security Counterparty Defaulted Obligation" means a Synthetic Security (other than a Defaulted Synthetic Security) with respect to which:

(a) the issuer credit rating of the Synthetic Security Counterparty is rated "D" or "SD" by Standard & Poor's (or its rating has been withdrawn and not reinstated); *provided* that the foregoing shall not apply in the case of a Defeased Synthetic Security so long as the Synthetic Security Counterparty shall periodically (and in no event less frequently than once each month) transfer collateral to the related Synthetic Security Issuer Account, together with all other collateral previously transferred, having a value at least equal to any termination payment that would be due to the Issuer upon the early termination of such Synthetic Security; or

(b) the Synthetic Security Counterparty has defaulted in the performance of any of its payment or delivery obligations under the Synthetic Security.

"Synthetic Security Counterparty Guarantor" means, with respect to any Synthetic Security, a guarantor of the Synthetic Security Counterparty's payment or delivery obligations under such Synthetic Security.

"Tax Event" means an event where (a) any obligor (including any Synthetic Security Counterparty) is, or on the next scheduled payment date under any Collateral Debt Security any obligor (including any Synthetic Security Counterparty) will be, required to deduct or withhold from any payment under any Collateral Debt Security to the Issuer for or on account of any tax for whatever reason (whether or not as a result of a change in law or interpretation), and such obligor or Synthetic Security Counterparty 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, Synthetic Security Counterparty or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding occurred, (b) any jurisdiction imposes net income, profits or a similar tax on the Issuer or (c) the Issuer, the Cashflow Swap Counterparty or any Hedge Counterparty is required to deduct or withhold from any payment under the relevant Hedge Agreement or the Cashflow Swap Agreement for or on account of any tax and the Issuer is obligated, or any Hedge Counterparty or Cashflow Swap Counterparty is not obligated, to make a gross-up payment.

"Tax Lien Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of tax obligations owed by businesses and individuals to state and municipal governmental taxing authorities, generally having the following characteristics: (1) the obligations have standardized payment terms and require minimum payments; (2) the tax obligations are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the repayment stream on the obligation is primarily determined by a payment schedule entered into between the relevant tax authority and obligor, with early repayment on such obligation predominantly dependent upon interest rates and the income of the obligor following the commencement of amortization.

"Tax Materiality Condition" means a condition that will be satisfied during any 12-month period if the sum of the following exceeds U.S.\$4,000,000: (a) the aggregate amount deducted or withheld for or on account of any tax by all obligors (including any Synthetic Security Counterparty) from any payment under any Collateral Debt Security (net of any gross-up payment made by such obligor or Synthetic Security Counterparty to the Issuer), (b) the aggregate amount of any net income, profits or similar tax imposed on the Issuer and (c) the aggregate of any amounts required to be paid by the Issuer and the deficiencies in the amounts received by the Issuer as a result of any deduction or withholding for or on account of any tax with respect to any payment by the Issuer, or any Hedge Counterparty under any Hedge Agreement.

"Time Share Securities" means Asset-Backed Securities (other than Residential A Mortgage Securities, Residential B/C Mortgage Securities and Home Equity Loan Securities) that entitle the holders thereof to receive payments that depend primarily on the cash flow from residential mortgage loans (secured on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate the proceeds of which were used to purchase fee simple interests in timeshare estates in units in a condominium, generally having the following characteristics: (1) the mortgage loans have standardized payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk; (3) repayment of such securities can vary substantially from their contractual payment schedules and depends entirely upon the rate at which the mortgage loans are repaid; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed

rate, such loans or securities include an effective prepayment premium and with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling and generally no penalties for early repayment.

"Total Senior Redemption Amount" means, as of any Quarterly Distribution Date, the aggregate amount required (a) to make all payments of accrued and unpaid amounts referred to in clauses (1) to (15) under "Priority of Payments—Interest Proceeds" and clauses (1) through (16) under "Priority of Payments—Principal Proceeds" as of such date (including any termination payments payable by the Issuer pursuant to each Hedge Agreement and the Cashflow Swap Agreement and any fees and expenses incurred by the Trustee in connection with the sale of Collateral Debt Securities), (b) to redeem all the Notes on the scheduled Redemption Date at the applicable Redemption Prices, together with all accrued and unpaid interest and Commitment Fee to the date of redemption and (c) solely in the case of an Auction Call Redemption pursuant to the Indenture, to make a payment to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount equal to the Preference Share Redemption Date Amount (or such lesser amount as is agreed by all of the Preference Shareholders).

"Trustee" means JPMorgan Chase Bank, National Association, a national banking association.

"Trust Preferred CBO/CLO Security" means a CBO/CLO Security the terms of which requires the Underlying Portfolio to consist of at least 75% Bank-Trust Preferred Securities, Insurance Trust Preferred Securities, REIT Trust Preferred Securities or a combination of (or credit exposure to) the foregoing.

"UCC" means the Uniform Commercial Code as in effect in the State of New York.

"Underlying Instruments" means the indenture or other agreement pursuant to which a Collateral Debt Security, Eligible Investment 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 the holders of such Collateral Debt Security, Eligible Investment or Equity Security are the beneficiaries.

"Underlying Portfolio" means, with respect to a CBO/CLO Security, the pool of commercial and industrial bank loans, bonds and other debt securities or obligations held by the issuer of such CBO/CLO Security or to which such issuer has credit exposure through credit derivative transactions.

"Uninvested Proceeds" means, at any time, (a) the net proceeds received by the Issuer on or after the Closing Date from the initial issuance of the Notes and the Preference Shares and the Up Front Payment to the extent such proceeds have not been deposited in the Expense Account or the Interest Reserve Account or invested in Collateral Debt Securities, each in accordance with the Indenture or deposited in a Synthetic Security Counterparty Account and (b) the net proceeds received by the Issuer after the Closing Date, from any Borrowing under the Class A-1S Notes to the extent such proceeds have not been invested in Collateral Debt Securities in accordance with the terms of the Indenture or deposited in a Synthetic Security Counterparty Account.

"USA PATRIOT Act" means The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.

"U.S.S" means United States dollars.

"U.S. Person" has the meaning given in Regulation S.

"Warehouse Agreement" means the Warehouse Agreement dated as of March 22, 2005 between Merrill Lynch International and the Collateral Manager.

"Written Down Amount" means, as of any date of determination with respect to any Written Down Security, the *pro rata* share for such Written Down Security (based on its principal amount relative to the aggregate principal amount of all other securities secured by the same pool of collateral that rank *pari passu* with such Collateral Debt Security) of the excess of the aggregate principal amount or certificate balance (excluding accrued or capitalized

interest) 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.

"Written Down Security" means, as of any date of determination, any Collateral Debt Security as to which the aggregate principal amount or certificate balance 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 the defaulted collateral that has been charged off), as determined by the Collateral Manager using customary procedures and information available in the servicer reports relating to such Written Down Security.

SCHEDULE A

MOODY'S AND STANDARD & POOR'S RECOVERY RATE MATRICES

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 ⁴					
	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 ⁴					
	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%

275ccxxxiiiccxxxiiiccxxxiiiccxxxiii275275_____

⁴ The rating assigned by Moody's on the closing date for such Collateral Debt Security.

C. ABS Type Undiversified Securities**

Percentage of Total Capitalization	Moody's Rating ⁴					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	45%	35%	25%	15%
Less than or equal to 5%, but greater than 2%	55%	45%	35%	30%	20%	10%
Less than or equal to 2%	45%	35%	25%	20%	10%	5%

D. Low-Diversity CBO/CLO Securities and CBO/CLO Securities with an Asset Correlation of 15% or more**

Percentage of Total Capitalization	Moody's Rating ⁴					
	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%

275ccxxivccxxivccxxivccxxiv275275

⁴ The rating assigned by Moody's on the closing date for such Collateral Debt Security.

E. High-Diversity CBO/CLO Securities and CBO/CLO Securities with an Asset Correlation less than 15%**

Percentage of Total Capitalization	Moody's Rating ⁴					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	60%	50%	40%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	50%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	45%	40%	35%	25%	10%
Less than or equal to 2%	45%	35%	30%	25%	10%	5%

****If the Collateral Debt Security is a Guaranteed Debt Security, the recovery rate will be 30%.**

275ccxxxvccxxxvccxxxvccxxxv275275_____

⁴ The rating assigned by Moody's on the closing date for such Collateral Debt Security.

Part II

Standard & Poor's Recovery Rate Matrix

- A. If the Collateral Debt Security (other than a Synthetic Security, REIT Debt Security, CDO of CDOs, "market value" CDO security, "principal only" security or a Guaranteed Debt Security or a Synthetic 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 at Issuance	Recovery Rate by Current Applicable Rating of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
"AA-," "AA" or "AA+"	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
"A-," "A" or "A+"	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
"BBB-," "BBB" or "BBB+"	50.0%	55.0%	65.0%	75.0%	85.0%	85.0%	85.0%

- B. If the Collateral Debt Security (other than a Synthetic Security, REIT Debt Security, CDO of CDOs, "market value" CDO security, "principal only" security or a Guaranteed Debt Security or a Synthetic 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 at Issuance	Recovery Rate by Current Applicable Ratings 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 Synthetic Security (other than a Form Approved Synthetic Security), CDO of CDOs, "market value" CDO security or "principal only" 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 will have the recovery rate applicable to the Reference Obligation.**
- D. If the Collateral Debt Security (other than a Guaranteed Debt Security) is a senior REIT Debt Security, the recovery rate will be 40%.**

*If the Collateral Debt Security is a Guaranteed Debt Security, the recovery rate will be (a) if such Guaranteed Debt Security is secured and not by its terms subordinate in right of payments, 47.5%, (b) if such Guaranteed Debt Security is not secured and is not by its terms subordinate in right of payment, 21.5% and (c) otherwise, 21.5%.

SCHEDULE B

STANDARD & POOR'S ASSET CLASSES

Part A

1. Consumer ABS
 - Automobile Loan Receivable Securities
 - Automobile Lease Receivable Securities
 - Car Rental Receivables Securities
 - Credit Card Securities
 - Healthcare Securities
 - Student Loan Securities
2. Commercial ABS
 - Cargo Securities
 - Equipment Leasing Securities
 - Aircraft Leasing Securities
 - Small Business Loan Securities
 - Restaurant and Food Services Securities
 - Tobacco Litigation Securities
3. Non-RE-REMIC RMBS
 - Manufactured Housing Loan Securities
4. Non-RE-REMIC CMBS
 - CMBS – Conduit
 - CMBS – Credit Tenant Lease
 - CMBS – Large Loan
 - CMBS – Single Borrower
 - CMBS – Single Property
5. CBO/CLO cashflow Securities
 - cash Flow CBO – at least 80% High Yield Corporate
 - cash Flow CBO – at least 80% Investment Grade Corporate
 - cash Flow CLO – at least 80% High Yield Corporate
 - cash Flow CLO – at least 80% Investment Grade Corporate
6. REITs
 - REIT – Multifamily & Mobile Home Park
 - REIT – Retail
 - REIT – Hospitality
 - REIT – Office
 - REIT – Industrial
 - REIT – Healthcare
 - REIT – Warehouse
 - REIT – Self Storage
 - REIT – Mixed Use
7. Real Estate Operating Companies

Part B

Residential Mortgages

Residential "A"

Residential "B/C"

Home equity loans

Part C

Specialty Structured

Stadium Financings

Project Finance

Future flows

SCHEDULE C

STANDARD & POOR'S TYPES OF ASSET-BACKED SECURITIES INELIGIBLE FOR NOTCHING

The following types of Asset-Backed Securities are not eligible to be notched in accordance with Schedule D unless otherwise agreed to by Standard & Poor's. Accordingly, the Standard & Poor's Rating of such Asset-Backed Securities must be determined pursuant to clause (i) or (ii) of the definition of "Standard & Poor's Rating" in the Offering Circular. This Schedule may be modified from time to time by Standard & Poor's and its applicability should be confirmed with Standard & Poor's prior to use.

1. Non-U.S. Structured Finance Securities
2. Guaranteed Securities
3. CDOs of Structured Finance and Real Estate Securities
4. CDOs of Trust-Preferred Securities
5. CBOs of CDOs
6. CLO Securities
7. CBO/CLO Securities
8. Mutual Fund Fee Securities
9. Catastrophe Bonds
10. First Loss Tranches of any Securitization
11. Synthetics other than Form-Approved Synthetic Securities
12. Synthetic CBOs
13. Combination Securities
14. Re-REMICs
15. Market value CDOs
16. Net Interest Margin Securities (NIMs)
17. Any asset class not listed on Schedule D

SCHEDULE D

STANDARD & POOR'S NOTCHING OF ASSET-BACKED SECURITIES

The Standard & Poor's Rating of an Collateral Debt Security that is not of a type specified on Schedule C and that has not been assigned a rating by Standard & Poor's may be determined as set forth below.

- A. If such Collateral Debt Security is rated by Moody's and Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be the Standard & Poor's equivalent of the rating that is the number of subcategories specified in Table A below the lowest of the ratings assigned by Moody's and Fitch.
- B. If the Collateral Debt Security is rated by Moody's or Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be the Standard & Poor's equivalent of the rating that is one subcategory below the rating that is the number of subcategories specified in Table A below the rating assigned by Moody's or Fitch.

This Schedule may be modified from time to time by Standard & Poor's and its applicability should be confirmed with Standard & Poor's prior to use.

TABLE A

	Asset-Backed Securities issued prior to August 1, 2001		Asset-Backed Securities issued on or after August 1, 2001	
	(Lowest) current rating is:		(Lowest) current rating is:	
	"BBB-" or its equivalent or higher	Below "BBB-" or its equivalent	"BBB-" or its equivalent or higher	Below "BBB-" or its equivalent
1. Consumer ABS Automobile Loan Receivable Securities Automobile Lease Receivable Securities Car Rental Receivables Securities Credit Card Securities Healthcare Securities Student Loan Securities	-1	-2	-2	-3
2. Commercial ABS Cargo Securities Equipment Leasing Securities Aircraft Leasing Securities Small Business Loan Securities Restaurant and Food Services Securities Tobacco Litigation Securities	-1	-2	-2	-3

3. Non-Re-REMIC RMBS Manufactured Housing Loan Securities	-1	-2	-2	-3
4. Non-Re-REMIC CMBS CMBS – Conduit CMBS - Credit Tenant Lease CMBS – Large Loan CMBS – Single Borrower CMBS – Single Property	-1	-2	-2	-3
5. REITs REIT – Multifamily & Mobile Home Park REIT – Retail REIT – Hospitality REIT – Office REIT – Industrial REIT – Healthcare REIT – Warehouse REIT – Self Storage REIT – Mixed Use	-1	-2	-2	-3
6. Specialty Structured Stadium Financings Project Finance Future flows	-3	-4	-3	-4
7. Residential Mortgages Residential "A" Residential "B/C" Home equity loans	-1	-2	-2	-3
8. Real Estate Operating Companies	-1	-2	-2	-3

As of December 10, 2001

SCHEDULE E

TABLE OF MOODY'S ASSET CLASSES

Class A-1 Credit Card Securities Healthcare Securities Home Equity Loan Securities Manufactured Housing Securities Residential B/C Mortgage Securities Small Business Loan Securities Student Loan Securities Tax Lien Securities	Class D Bank Guaranteed Securities Guaranteed Debt Securities Insurance Company Guaranteed Securities REIT Debt Securities—Diversified REIT Debt Securities—Health Care REIT Debt Securities—Hotel REIT Debt Securities—Industrial REIT Debt Securities—Multi-Family REIT Debt Securities—Office REIT Debt Securities—Residential REIT Debt Securities—Retail REIT Debt Securities—Storage
Class A-2 Franchise Securities Mutual Fund Securities Oil and Gas Securities Restaurant and Food Services Securities	Class E Project Finance Securities
Class B Aerospace and Defense Securities Automobile Securities Car Rental Receivable Securities Subprime Automobile Securities Recreational Vehicle Securities	Class F Residential A Mortgage Securities

EXHIBIT A

FORM OF PURCHASER AND TRANSFEREE LETTER FOR REGULATION S GLOBAL PREFERENCE SHARES

Date

Lenox CDO, Ltd.
c/o Walkers SPV Limited
P.O. Box 908 GT
Walker House
Mary Street, George Town
Grand Cayman, Cayman Islands
Attention: The Directors

JPMorgan Chase Bank, National Association
600 Travis Street
50th Floor
JPMorgan Chase Tower
Houston, Texas 77002

Ladies and Gentlemen:

Reference is made to the Offering Circular (the "Offering Circular") relating to the offering by Lenox CDO, Ltd. (the "Issuer") of its Preference Shares. Terms used but not defined herein have the respective meanings given to such terms in the Offering Circular.

The Offering Circular provides that, other than with respect to an Original Purchaser, Preference Shares offered and sold outside the United States may be offered to non-U.S. Persons which are not Benefit Plan Investors or Controlling Persons in reliance upon Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), and will be issued in the form of one or more Regulation S Global Preference Shares ("Regulation S Global Preference Shares"). The Regulation S Global Preference Shares shall be deposited with, and registered in the name of, DTC (or its nominee). The Preference Shares that we purchase (the "Purchased Preference Shares") will be represented by an interest in a Regulation S Global Preference Share.

We acknowledge that this letter must be delivered to the Issuer, the Preference Share Paying Agent and the Collateral Manager as a condition to the transfer of the Purchased Preference Shares.

In consideration of the foregoing, we agree with the Issuer, the Preference Share Paying Agent and the Preference Share Registrar that prior to any sale, assignment, pledge or other transfer of any of the Preference Shares (or any interest therein) to any transferee, we will:

- (i) cause the transferee to, if required by the Preference Share Paying Agency Agreement, make the applicable certifications to the Issuer, the Preference Share Paying Agent and the Collateral Manager set forth in the Transfer Certificate (as defined in the Preference Share Paying Agency Agreement); and
- (ii) cause the transferee to deliver a letter to the Issuer, the Preference Share Paying Agent and the Preference Share Registrar to the effect that (A) such transferee will, prior to any sale, assignment, pledge or other transfer of any of the Purchased Preference Shares (or any interest therein) to any subsequent transferee, cause such subsequent transferee to take the actions specified in this and the immediately preceding clause (i) (as if each reference to the word "transferee" were a reference to such subsequent transferee); and (B) it is not a Benefit Plan Investor as defined in United States Department of Labor Regulations at 29 C.F.R. §2510.3-101(f) (a "Benefit Plan Investor") or a Controlling Person and will not transfer its interest in the Preference Share to a Benefit Plan Investor or (except as provided in the Preference Share Paying Agency Agreement) a Controlling Person.

We represent and warrant to the Issuer, the Preference Share Paying Agent and the Preference Share Registrar that:

Unless we are an Original Purchaser, we are neither a Benefit Plan Investor nor a Controlling Person.

In addition, we represent and warrant to the Issuer, the Preference Share Agent and the Preference Share Registrar that we will not transfer our interest in the Preference Share to a Benefit Plan Investor or a Controlling Person.

We understand that this letter will be relied upon by the Issuer, the Initial Purchaser, the Preference Share Paying Agent, the Preference Share Registrar and the Collateral Manager for the purpose of ensuring that subsequent transferees have notice of, and are subject to, the transfer restrictions applicable to the Purchased Preference Shares and described in the Offering Circular. We agree to indemnify and hold harmless the Issuer, the Initial Purchaser, the Preference Share Paying Agent, the Collateral Manager and the Preference Share Registrar and each of their respective affiliates from and against any loss, damage or liability to the extent due to or arising out of a breach of any representation, warranty or agreement made by us in this letter.

This letter agreement shall be governed by and construed in accordance with the law of the State of New York.

Very truly yours,

[_____]

By: _____

Name:

Title:

A signed copy of this letter agreement must be faxed to JPMorgan Chase Bank, National Association, facsimile number (713) 216-5959, Attention: Worldwide Securities Services – Lenox CDO, Ltd.

INDEX OF CERTAIN DEFINED TERMS

Following is an index of certain defined terms used in this Offering Circular and the page number where each such definition appears.

25% Threshold.....	169
ABS REIT Debt Securities.....	197
ABS Type Diversified Securities.....	197
ABS Type Residential Securities.....	197
ABS Type Undiversified Securities.....	197
Accelerated Maturity Date.....	78
Account Control Agreement.....	197
Accounts.....	144
Accredited Investor.....	197
Accrued Interest.....	197
Adjusted Issue Price.....	197
Administration Agreement.....	109
Administrator.....	109
Aerospace and Defense Securities.....	197
Affected Class.....	47, 65
Affiliate.....	197
Affiliated.....	197
Aggregate Attributable Amount.....	198
AIG.....	48, 144
AIG-FP.....	48, 144
Applicable Procedures.....	175
Applicable Recovery Rate.....	198
Asset-Backed CBO/CLO Securities.....	198
Asset-Backed Securities.....	19, 198
Auction.....	63
Auction Call Redemption.....	64
Auction Date.....	63
Auction Procedures.....	63
Automobile Securities.....	199
Average Life.....	128
Bank Guaranteed Securities.....	199
Bank Trust-Preferred Securities.....	199
Base Rate.....	61
Base Rate Reference Bank.....	61
Basis Swap.....	134
Basis Swap Counterparty.....	134
Benchmark Rate.....	199
Benchmark Rate Change.....	199
Benefit Plan Investor.....	169, 180
Borrowing.....	57
Borrowing Date.....	57
Business Day.....	67
Calculation Agent.....	60
Calculation Amount.....	199
Car Rental Receivable Securities.....	200
Cash.....	200
Cash Flow Swap Collateral Sufficiency Determination.....	80
Cashflow Swap Agreement.....	5, 200
Cashflow Swap Cap Amount.....	139
Cashflow Swap Collateral Sufficiency Determination.....	14
Cashflow Swap Collateralization Event.....	141, 200

Cashflow Swap Counterparty	5, 200
Cashflow Swap Counterparty Collateral Account	141, 200
Cashflow Swap Counterparty Ratings Requirement	141, 200
Cashflow Swap Fee	140
Cashflow Swap Netting Provision	201
Cashflow Swap Outstanding Payment Amount Balance	142
Cashflow Swap Payment	201
Cashflow Swap Rating Determining Party	142, 201
Cashflow Swap Ratings Event	142, 201
Cashflow Swap Ratings Threshold	142, 201
Cashflow Swap Subordinated Termination Substitute Party	143
Cashflow Swap Termination Amounts	14, 80
Cashflow Swap Weighted Average Spread	139
CBO/CLO Securities	17, 201
CDO	17
CDO of CDOs	202
CFC	51, 163
CISX	9
Class	202
Class A Notes	i
Class A/B/C Coverage Tests	73
Class A/B/C Interest Coverage Ratio	74
Class A/B/C Interest Coverage Test	75
Class A/B/C Overcollateralization Ratio	73
Class A/B/C Overcollateralization Test	74
Class A/B/C Pro Rata Principal Payment Cap	202
Class A/B/C Pro Sequential Pay Test	202
Class A/B/C Sequential Pay Ratio	202
Class A-1 Agency and Amending Agreement	202
Class A-1 Agent	202
Class A-1 Notes	i
Class A-1 Notes Supplement	59
Class A-1 Swap Interest Rate	203
Class A-1J Accrued Interest	202
Class A-1J Cashflow Swap Amount	139
Class A-1J Note Break-Even Loss Rate	129
Class A-1J Note Loss Differential	129
Class A-1J Note Scenario Default Rate	129
Class A-1J Notes	i
Class A-1J Notes Supplement	59
Class A-1J Other Amounts	202
Class A-1J Payment Amount	202
Class A-1J Reimbursement Amount	203
Class A-1J Swap Interest Rate	203
Class A-1S Accrued Interest	203
Class A-1S Cashflow Swap Amount	139
Class A-1S Note Break-Even Loss Rate	129
Class A-1S Note Loss Differential	129
Class A-1S Note Purchase Agreement	4, 203
Class A-1S Note Scenario Default Rate	129
Class A-1S Noteholder Prepayment Account	149
Class A-1S Noteholders	203
Class A-1S Notes	i
Class A-1S Notes Supplement	59
Class A-1S Other Amounts	203
Class A-1S Payment Amount	203

Class A-1S Reimbursement Amount	203
Class A-2 Accrued Interest	203
Class A-2 Cashflow Swap Amount	139
Class A-2 Note Break-Even Loss Rate	129
Class A-2 Note Loss Differential	129
Class A-2 Note Scenario Default Rate	129
Class A-2 Notes	i
Class A-2 Payment Amounts	204
Class A-2 Reimbursement Amount	204
Class A-2 Swap Interest Rate	204
Class B Accrued Interest	204
Class B Note Break-Even Loss Rate	129
Class B Note Loss Differential	130
Class B Note Scenario Default Rate	130
Class B Notes	i
Class B-1 Accrued Interest	204
Class B-1 Cashflow Swap Amount	139
Class B-1 Notes	i
Class B-1 Payment Amounts	204
Class B-1 Reimbursement Amount	204
Class B-1 Swap Interest Rate	204
Class B-2 Cashflow Swap Amount	139
Class B-2 Note Component	i, 86
Class B-2 Note Component Percentage	89
Class B-2 Notes	i
Class B-2 Payment Amounts	205
Class B-2 Reimbursement Amount	205
Class B-2 Swap Interest Rate	205
Class C Accrued Interest	205
Class C Cashflow Swap Amount	139
Class C Note Break-Even Loss Rate	130
Class C Note Loss Differential	130
Class C Note Scenario Default Rate	130
Class C Notes	i
Class C Payment Amounts	205
Class C Reimbursement Amount	205
Class C Swap Interest Rate	205
Class D Coverage Tests	73
Class D Deferred Interest Amount	59
Class D Interest Coverage Ratio	74
Class D Interest Coverage Test	75
Class D Note Break-Even Loss Rate	130
Class D Note Loss Differential	130
Class D Note Scenario Default Rate	130
Class D Notes	i
Class D Overcollateralization Ratio	73
Class D Overcollateralization Test	74
Class D Pro Rata Principal Payment Cap	205
Class E Coverage Tests	73
Class E Deferred Interest Amount	59
Class E Interest Coverage Ratio	75
Class E Interest Coverage Test	75
Class E Note Break-Even Loss Rate	130
Class E Note Loss Differential	130
Class E Note Scenario Default Rate	131
Class E Notes	i

Class E Overcollateralization Ratio	74
Class E Overcollateralization Test.....	74
Class E-1 Deferred Interest Amount.....	59
Class E-1 Notes	i
Class E-2 Deferred Interest Amount.....	59
Class E-2 Note Component	i, 86
Class E-2 Note Component Percentage	89
Class E-2 Notes	i
Clearstream.....	101
CLO Security	205
Closing Date	205
CMBS.....	25
CMBS Conduit Securities	206
CMBS Credit Tenant Lease Securities.....	206
CMBS Large Loan Securities.....	206
Code.....	159, 168
Co-Issuer.....	i
Co-Issuers	i
Collateral	9, 112, 151
Collateral Administration Agreement.....	109, 158
Collateral Administrator	109, 158
Collateral Debt Security	206
Collateral Management Agreement.....	153
Collateral Manager	1, 151, 153
Collateral Manager Breaches.....	155
Collateral Manager Information	155
Collateral Manager Securities.....	206
Collateral Quality Tests	119
Collateralization Event	136
Collateralizing Holder	149
Collection Accounts	145
Combination Securities.....	86, 207
Combination Securities Excess Proceeds Payment Amount	87
Combination Securities Notional Balance.....	87
Combination Securities Notional Balance Payment Amount.....	87
Combination Securities Notional Coupon Amount	87
Combination Security Authenticating Agent.....	91
Combination Security Rated Balance.....	86
Combination Security Register.....	91
Combination Security Registrar	91
Combination Security Transfer Agent.....	91
Combination Securityholder.....	207
Commitment Fee	4, 61
Commitment Fee Amount	207
Commitment Period.....	57
Commitment Period Termination Date.....	57
Commitments	57
Controlling Class	207
Controlling Person.....	169, 180
Corporate CBO/CLO Security	207
Corporate Debt Securities.....	207
Corporate Trust Office.....	90, 207
Correlation Percentage	120
Correlation Test	120
Coverage Tests	73
Credit Card Securities.....	207

Credit Improved Security	207
Credit Risk Security	208
Current Portfolio	131
Current Spread	208
Custodial Account	147
Custodian	208
DCOF	151
Deemed Fixed Rate Hedge Agreement	208
Deemed Fixed Rate Security	208
Deemed Floating Rate	208
Deemed Floating Rate Hedge Agreement	134, 208
Deemed Floating Rate Securities	134
Deemed Floating Rate Security	208
Deemed Floating Spread	208
Default	208
Defaulted Interest	59
Defaulted Security	209
Defaulted Synthetic Security	209
Defeased Synthetic Security	210
Deferred Interest	210
Deferred Interest PIK Amount	5
Deferred Interest PIK Bond	210
Definitive Combination Securities	90, 210
Definitive Notes	101
Definitive Preference Shares	101
Definitive Securities	101
Deliverable Obligation	210
Depository	210
Designated Maturity	61
Determination Date	210
Discount Security	210
Discretionary Sale	132
Discretionary Sale Percentage	210
Dollar	210
DTC	101
Due Period	211
Dynamic Credit	1, 151, 153
Eligibility Criteria	112
Eligible Investments	211
Eligible Prepayment Account Investments	150
Emerging Market CDO Security	212
Emerging Market Issuer	212
Emerging Market Security	212
Equity Security	212
ERISA	168, 212
ERISA Plans	168
Euroclear	101
Event of Default	76
excepted investment company	180
Excepted Property	213
Excess Interest	213
Expense Account	146
Financial Services and Markets Act 2000	174
Financial Sponsor	213
Fixed Payment Rate	213
Fixed Rate Excess	127

Fixed Rate Notes	213
Fixed Rate Security	213
Floating Rate Notes	58, 213
Floating Rate Security	213
Florida Act.....	v
Flow-Through Investment Vehicle.....	181
Form Approved Synthetic Security	213
FSMA	174
Global Securities	101
Guaranteed Debt Security	213
Healthcare Securities	213
Hedge Agreement	134
Hedge Counterparty	134
Hedge Counterparty Collateral Account.....	136
Hedge Counterparty Ratings Requirement	136
Hedge Rating Determining Party.....	136
High Yield CBO/CLO Security.....	214
High-Diversity CBO/CLO Securities	213
Holder.....	207
Home Equity Loan Securities.....	214
Incentive Management Fee.....	157, 214
Indenture.....	i
Indirect Participants.....	176
Initial Cashflow Swap Counterparty.....	214
Initial Hedge Counterparty	134
Initial Purchaser.....	i
Insurance Company Guaranteed Securities	214
Insurance Trust Preferred Securities.....	215
Interest Collection Account	145
Interest Coverage Amount.....	215
Interest Coverage Ratios.....	75
Interest Coverage Tests	76
Interest Distribution Amount	215
Interest Period.....	59
Interest Proceeds.....	215
Interest Proceeds Waterfall.....	67
Interest Reserve Account.....	147
Interest Shortfall Amount	5
Inverse Floater Security	216
Investment Company Act	216
Investor Application Form.....	i
Irish Listing Agent.....	8
Irish Paying Agent.....	8
IRR	216
IRS	160
Issue.....	216
Issue Price Adjustment	216
Issuer	i
Issuer Charter.....	97
LIBOR	60
LIBOR Business Day	61
LIBOR Determination Date.....	60
Liquidation Condition.....	78
Liquidation Objection Notice	80
Liquidity Facility	58
Liquidity Provider.....	58

London Banking Day	61
Low-Diversity CBO/CLO Securities	216
Macaulay duration	108
Majority-in-Interest of Preference Shareholders	217
Management Fees	157
Manufactured Housing Securities	217
Margin Stock	217
Master Forward Sale Agreement	217
Measurement Date	217
Middle Market Commercial Loan Securities	23
Middle Market Loan Securities	23
ML&Co.	119
MLI	41, 119
Moody's	107
Moody's Maximum Rating Distribution	120
Moody's Maximum Rating Distribution Test	120
Moody's Minimum Weighted Average Recovery Rate Test	126
Moody's Rating	121
Moody's Rating Factor	120
Moody's Weighted Average Recovery Rate	126
Mutual Fund Securities	217
NASD	44, 217
Net Outstanding Portfolio Collateral Balance	217
Non-U.S. Obligor	218
Note Register	104
Note Registrar	104
Noteholder	218
Noteholder Prepayment Account Control Agreement	149
Notes	i
Offer	218
Offered Securities	i
OID	160
Oil and Gas Securities	218
Optional Redemption	65
Original Purchaser	53, 218
Other ABS	219
Other Security	122
Overcollateralization Haircut Amount	219
Overcollateralization Tests	74
Par	221
parallel security	123
Participant	101
Paying Agent	67
Payment Account	145
PCCL	45
PFIC	51, 161
PFIC Equity Security	220
PIK Bond	220
Plan Asset Regulation	169
plan fiduciary	168
Plans	168
Pledged Collateral Debt Security	220
Post-Acceleration Maturity Date	220
pre-amendment beneficial owners	180
Preference Share Documents	220
Preference Share Paying Agency Agreement	97

Preference Share Paying Agent	97
Preference Share Redemption Date Amount	220
Preference Share Register	104
Preference Share Registrar	i
Preference Shareholders	9
Preference Shares	i
Prepayment Option	57
Principal Balance	221
Principal Collection Account	145
Principal Proceeds	221
Principal Proceeds Waterfall	70
Priority of Payments	67
Pro Rata Pay Period	62, 222
prohibited transactions	168
Project Finance Securities	222
Proposed Portfolio	131
Purchase Agreement	173, 222
Pure Private Collateral Debt Security	222
QEF	51, 161
Qualified Institutional Buyer	222
Qualified Purchaser	222
Qualifying Foreign Obligor	222
Qualifying Investment Vehicle	181
Quarterly Asset Amount	222
Quarterly Distribution Date	58
Ramp-Up Completion Date	1, 223
Ramp-Up Notice	37
Ramp-Up Period	43
Ramp-Up Test Date	223
Rating Agencies	107
Rating Agency	i
Rating Condition	223
Rating Confirmation	37, 107
Rating Confirmation Failure	37
Rating Criteria	57
Ratings Event	137
Ratings Threshold	137
Record Date	67, 97
Recreational Vehicle Securities	223
Redemption Date	65, 223
Redemption Price	66, 223
Reference Banks	61
Reference Dealers	61
Reference Obligation	223
Reference Obligor	223
Registered	113
Regulation S	223
Regulation S Combination Security	90
Regulation S Combination Security Transfer Certificate	92
Regulation S Definitive Combination Security	90
Regulation S Definitive Notes	102
Regulation S Definitive Preference Shares	101
Regulation S Definitive Securities	102
Regulation S Global Combination Security	90
Regulation S Global Note	101
Regulation S Global Preference Share	101

Regulation S Global Securities	101
Regulation S Note.....	101
Regulation S Preference Shares.....	101
Regulation S Securities.....	102
Reimbursement Amounts	223
REIT Debt Securities.....	224
REIT Debt Securities—Diversified	224
REIT Debt Securities—Health Care.....	224
REIT Debt Securities—Hotel	224
REIT Debt Securities—Industrial.....	224
REIT Debt Securities—Mortgage	224
REIT Debt Securities—Multi-Family	224
REIT Debt Securities—Office.....	224
REIT Debt Securities—Residential	225
REIT Debt Securities—Retail	225
REIT Debt Securities—Storage.....	225
REIT Trust Preferred Securities	225
Residential A Mortgage Securities	225
Residential B/C Mortgage Securities.....	225
Restaurant and Food Services Securities.....	225
Restricted Combination Security	90
Restricted Definitive Combination Security	90
Restricted Definitive Notes.....	102
Restricted Definitive Preference Shares	101
Restricted Definitive Securities	102
Restricted Global Combination Security	90
Restricted Global Notes.....	101
Restricted Note	101
Restricted Securities	102
RMBS	25
Rule 144A.....	226
Rule 144A Combination Security Transfer Certificate.....	92
Sale Proceeds.....	226
SEC.....	226
Secured Parties	4
Securities Act.....	226
Semi-Annual Interest Reserve Account.....	145
Senior.....	56
Senior Class Liquidation Direction.....	14, 80
Senior Loans	28
Senior Management Fee	157, 226
Sequential Pay Period	226
Servicer.....	226
Share Trustee	109
Similar Law	169, 171
Small Business Loan Securities.....	23, 227
Special Majority -In-Interest of Preference Shareholders.....	227
Special Purpose Vehicle Jurisdiction.....	227
Specified Deferred Interest PIK Bond	5, 227
Specified Principal Proceeds	227
Specified Type.....	227
Spread Excess.....	127
Standard & Poor's	107
Standard & Poor's CDO Monitor.....	131
Standard & Poor's CDO Monitor Test.....	128
Standard & Poor's Minimum Recovery Rate Test.....	128

Standard & Poor's Rating	125
Standard & Poor's Recovery Rate	128
Stated Maturity	228
Stated Redemption Price at Maturity	160
Step-Down Bond	228
Step-Up Bond	228
Structured Settlement Securities	228
Student Loan Securities	228
Subject Combination Securities	94
Subordinate	56
Subordinate Management Fee	157, 228
Subordinated Cashflow Swap Termination Event	143
Subordinated Hedge Termination Event	138
Subordinated Termination Substitute Party	138
Subprime Automobile Securities	229
Substitution Period	5
Synthetic Security	229
Synthetic Security Collateral	148
Synthetic Security Counterparty	229
Synthetic Security Counterparty Account	147
Synthetic Security Counterparty Defaulted Obligation	229
Synthetic Security Counterparty Guarantor	230
Synthetic Security Issuer Account	148
Tax Event	230
Tax Exempt Investors	164
Tax Lien Securities	230
Tax Materiality Condition	230
Tax Redemption	47, 65
Time Share Securities	230
TIN	165
Total Senior Redemption Amount	231
Transfer Agent	104
Transferee	135, 141
Trust Preferred CBO/CLO Security	231
Trustee	231
U.S. Person	231
U.S.\$	210, 231
UBTL	164
UCC	231
Underlying Instruments	231
Underlying Note Components	86
Underlying Portfolio	17, 231
Unfunded Commitment	150
Uninvested Proceeds	231
Uninvested Proceeds Account	146
Up Front Payment	135
USA PATRIOT Act	44, 231
Warehouse Agreement	231
Weighted Average Coupon	127
Weighted Average Coupon Test	127
Weighted Average Life	128
Weighted Average Life Test	128
Weighted Average Purchase Price	131
Weighted Average Spread	127
Weighted Average Spread Test	127
Written Down Amount	231

Written Down Security232

PRINCIPAL OFFICES OF THE CO-ISSUERS

Lenox CDO, Ltd.
Walker House
P.O. Box 908, George Town
Grand Cayman, British West Indies

Lenox CDO, Inc.
c/o Puglisi & Associates
850 Library Avenue
Suite 204
Newark, Delaware 19711

COLLATERAL MANAGER

Dynamic Credit Partners, LLC
667 Madison Avenue
New York, New York 10021

TRUSTEE, PRINCIPAL NOTE PAYING AGENT, NOTE TRANSFER AGENT, NOTE REGISTRAR AND PREFERENCE SHARE PAYING AGENT

JPMorgan Chase Bank, National Association
600 Travis Street, 50th Floor
JPMorgan Chase Tower,
Houston, Texas 77002

IRISH LISTING AGENT

McCann FitzGerald Listing Services Limited
2 Harbourmaster Place,
International Financial
Services Centre,
Dublin 1, Ireland

ADMINISTRATOR, PREFERENCE SHARE REGISTRAR AND TRANSFER AGENT

Walkers SPV Limited
P.O. Box 908, George Town
Grand Cayman, British West Indies

IRISH PAYING AGENT

**Custom House Administration and Corporate
Services Limited**
25 Eden Quay
Dublin 1
Ireland

CISX SPONSOR
Ogier Corporate Finance Limited
Whitely Chambers
Don Street
St. Helier
Jersey
JE49WG

LEGAL ADVISORS

To the Co-Issuers

As to New York Law
Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022

As to Cayman Islands Law
Walkers
Walker House
P.O. Box 908, George Town
Grand Cayman, British West Indies

To the Initial Purchaser

Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022

To the Collateral Manager

Orrick, Herrington & Sutcliffe LLP
666 Fifth Avenue
New York, New York 10103

Lenox CDO, Ltd.
Lenox CDO, Inc.

U.S.\$70,000,000 Class A-1S
First Priority Senior Secured Floating Rate Delayed Draw Notes due 2043
U.S.\$75,000,000 Class A-1J
Second Priority Senior Secured Floating Rate Notes due 2043
U.S.\$2,000,000 Class A-2
Third Priority Senior Secured Floating Rate Notes due 2043
U.S.\$31,000,000 Class B-1
Fourth Priority Senior Secured Floating Rate Notes due 2043
U.S.\$14,000,000 Class B-2
Fourth Priority Senior Secured Fixed Rate Notes due 2043
U.S.\$8,000,000 Class C
Fifth Priority Senior Secured Floating Rate Notes due 2043
U.S.\$10,000,000 Class D
Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes due 2043
U.S.\$4,000,000 Class E-1
Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes due 2043
U.S.\$16,000,000 Class E-2
Seventh Priority Mezzanine Secured Deferrable Fixed Rate Notes due 2043
25,000 Preference Shares
with an Aggregate Liquidation Preference of U.S.\$25,000,000
U.S.\$30,000,000 Combination Securities due 2043

OFFERING CIRCULAR

Merrill Lynch & Co.

December 6, 2005
