4-1-2006

Class V Funding II CDO Offering Circular

Merrill Lynch International

Class V Funding, Ltd.
Class V Funding, Corp.

U.S.$100,000,000 Class A-1
First Priority Senior Secured Floating Rate Delayed Draw Notes due 2045
U.S.$41,000,000 Class A-2
Second Priority Senior Secured Floating Rate Notes due 2045
U.S.$30,000,000 Class B
Third Priority Secured Floating Rate Notes due 2045
U.S.$8,000,000 Class C
Fourth Priority Secured Floating Rate Deferrable Notes due 2045
U.S.$9,000,000 Class D-1
Fifth Priority Secured Floating Rate Notes due 2045
U.S.$2,000,000 Class D-2
Fifth Priority Secured Fixed Rate Notes due 2045
15,000 Preference Shares
with an Aggregate Liquidation Preference of U.S.$15,000,000
U.S.$5,031,000 Combination Securities due 2045

OFFERING CIRCULAR

Merrill Lynch & Co.

April 12, 2005

If you are not the intended recipient of this message, please delete and destroy all copies of this disclaimer and the attached Offering Circular (as defined below) along with any e-mail to which either may be attached.

DISCLAIMER

Attached please find an electronic copy of the Offering Circular dated May 16, 2006 (the "Offering Circular") relating to the offering by Class V Funding II, Ltd. and Class V Funding II, Corp. of certain Notes and Preference Shares (the "Offering").

The information contained in the electronic copy of the Offering Circular has been formatted in a manner that 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 disclaimer nor the attached Offering Circular, nor if attached to an e-mail, the e-mail to which such documents are attached, 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 disclaimer, any e-mail to which is it is attached 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 a "Qualified Institutional Buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended (the "Securities Act") or (ii) not be a "U.S. person" within the meaning of Regulation S under the Securities Act.

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

THIS ELECTRONIC TRANSMISSION IS NOT TO BE DISTRIBUTED OR FORWARDED TO ANY PERSON OTHER THAN THE PERSON RECEIVING SUCH ELECTRONIC TRANSMISSION FROM MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED AS INITIAL PURCHASER AND ANY PERSON RETAINED TO ADVISE THE PERSON RECEIVING THIS ELECTRONIC TRANSMISSION WITH RESPECT TO THE OFFERING CONTEMPLATED IN THE OFFERING CIRCULAR AND IS NOT TO BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FURTHER DISTRIBUTION, FORWARDING OR REPRODUCTION OF THIS ELECTRONIC TRANSMISSION 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 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 THE OFFERING CIRCULAR AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENTS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. THIS AUTHORIZATION TO DISCLOSE SUCH TAX TREATMENT AND TAX STRUCTURE DOES NOT PERMIT DISCLOSURE OF INFORMATION IDENTIFYING THE ISSUER, THE CO-ISSUER, THE COLLATERAL MANAGER, THE SUB-ADVISOR OR ANY OTHER PARTY TO THE TRANSACTION, THIS OFFERING OR THE PRICING (EXCEPT TO THE EXTENT PRICING IS RELEVANT TO THE TAX STRUCTURE OR TAX TREATMENT) OF THIS OFFERING.

OFFERING CIRCULAR

U.S.$68,000,000 Class A-1 First Priority Senior Secured Floating Rate Notes due 2046
U.S.$68,000,000 Class A-2A Second Priority Senior Secured Floating Rate Notes due 2046
U.S.$68,000,000 Class A-2B Second Priority Senior Secured Floating Rate Notes due 2046
U.S.$45,000,000 Class B Third Priority Secured Floating Rate Notes due 2046
U.S.$7,000,000 Class C Fourth Priority Secured Floating Rate Notes due 2046
U.S.$26,000,000 Class D Fifth Priority Mezzanine Secured Floating Rate Deferrable Notes due 2046
18,000 Preference Shares with an Aggregate Liquidation Preference of U.S.$18,000,000
Backed by a Portfolio of CDO Obligations, Other ABS and Synthetic Securities

Class V Funding II, Ltd.
Class V Funding II, Corp.

Class V Funding II, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Issuer"), and Class V Funding II, Corp., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), will issue U.S.$68,000,000 Class A-1 First Priority Senior Secured Floating Rate Notes due 2046 (the "Class A-1 Notes"), U.S.$68,000,000 Class A-2A Second Priority Senior Secured Floating Rate Notes due 2046 (the "Class A-2A Notes"), U.S.$68,000,000 Class A-2B Second Priority Senior Secured Floating Rate Notes due 2046 (the "Class A-2B Notes" and, together with the Class A-2A Notes, the "Class A-2 Notes", and, together with the Class A-1 Notes, the "Class A Notes"), U.S.$45,000,000 Class B Third Priority Secured Floating Rate Notes due 2046 (the "Class B Notes"), U.S.$7,000,000 Class C Fourth Priority Secured Floating Rate Notes due 2046 (the "Class C Notes"), U.S.$26,000,000 Class D Fifth Priority Mezzanine Secured Floating Rate Deferrable Notes due 2046 (the "Class D Notes" and, together with the Class A Notes, the Class B Notes and the Class C Notes, the "Notes"). The Notes will be issued and secured pursuant to an Indenture dated as of May 18, 2006 (the "Indenture") between the Issuer, the Co-Issuer and LaSalle Bank National Association, a national banking association, as trustee (the "Trustee"). Concurrently with the issuance of the Notes, the Issuer will issue 18,000 Preference Shares with an aggregate liquidation preference of U.S.$18,000,000 (as more fully described herein, the "Preference Shares") pursuant to the Memorandum and Articles of Association of the Issuer (the "Issuer Charter") and in accordance with a Preference Share Paying Agency Agreement dated as of May 18, 2006 (the "Preference Share Paying Agency Agreement") between the Issuer and LaSalle 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 and the Preference Shares being offered hereby are referred to herein as the "Offered Securities". The Co-Issuers have been established as special purpose vehicles or entities for the purpose of, among other things, issuing asset-backed securities and synthetic securities. The collateral securing the Notes will be managed by Credit Suisse Alternative Capital, Inc. (the "Collateral Manager"), a Delaware corporation. Pursuant to a Sub-Advisory Agreement (the "Sub-Advisory Agreement"), between the Collateral Manager and Bear Stearns Asset Management Inc., a New York corporation (the "Sub-Advisor"), the Sub-Advisor will assist the Collateral Manager in managing the selection and acquisition of the Collateral Debt Securities.

CREDIT SUISSE

BEAR STEARNS

It is a condition to the issuance of the Offered Securities that the Class A-1 Notes and the Class A-2 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") 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 Notes be rated at least "Aa2" by Moody's and "AA" by Standard & Poor's, that the Class C Notes be rated at least "Aa3" by Moody's and "AA-" by Standard & Poor's and that the Class D Notes be rated at least "Baa2" by Moody's and "BBB" by Standard & Poor's. Application will be made to the Irish Stock Exchange for the Notes to be listed on the Daily Official List. Application will be made to list the Preference Shares on the Channel Islands Stock Exchange. There can be no assurance that listing on the Irish Stock Exchange with respect to the Notes, or on the Channel Islands Stock Exchange with respect to the Preference Shares, will be granted.

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 OFFERED SECURITIES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE TRUSTEE, THE COLLATERAL MANAGER, THE SUB-ADVISOR, ANY HEDGE COUNTERPARTY, THE BASIS SWAP 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 HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, IN RELIANCE ON THE EXEMPTION PROVIDED BY SECTION 3(c)(7) THEREOF. THE OFFERED SECURITIES ARE BEING OFFERED (A) IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO QUALIFIED PURCHASERS (AS DEFINED HEREIN) WHO ARE ALSO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT); AND (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S). PREFERENCE SHARES ARE BEING OFFERED ONLY TO QUALIFIED INSTITUTIONAL BUYERS (WHETHER OR NOT THEY ARE U.S. PERSONS). 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 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 (other than the Class A-1 Notes) will be delivered on or about May 18, 2006 (the "Closing Date"), in the case of the Notes, through the facilities of The Depository Trust Company ("DTC") and in the case of the 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 (except for the Class A-1 Notes, which will be issued after the Closing Date as described herein).

Merrill Lynch & Co.

Sole Manager

The date of this Offering Circular is May 16, 2006.

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, THE SUB-ADVISOR, ANY HEDGE COUNTERPARTY, THE BASIS SWAP 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 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. THE NOTES ARE PAYABLE SOLELY FROM THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED BY THE ISSUER TO SECURE THE NOTES. NONE OF THE SECURITY HOLDERS, MEMBERS, OFFICERS, DIRECTORS, MANAGERS OR INCORPORATORS OF THE ISSUER, THE CO-ISSUER, THE TRUSTEE, THE ADMINISTRATOR, THE COLLATERAL MANAGER, THE SUB-ADVISOR, ANY RATING AGENCY, THE SHARE TRUSTEE, THE INITIAL PURCHASER, ANY HEDGE COUNTERPARTY, THE BASIS SWAP 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. CONSEQUENTLY, THE NOTEHOLDERS MUST RELY SOLELY ON AMOUNTS RECEIVED IN RESPECT OF THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED TO SECURE THE NOTES FOR THE PAYMENT OF PRINCIPAL THEREOF AND INTEREST THEREON.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, 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. TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENTS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. THIS AUTHORIZATION TO DISCLOSE SUCH TAX TREATMENT AND TAX STRUCTURE DOES NOT PERMIT DISCLOSURE OF INFORMATION IDENTIFYING THE ISSUER, THE CO-ISSUER, THE COLLATERAL MANAGER, THE SUB-ADVISOR OR ANY OTHER PARTY TO THE TRANSACTION, THIS OFFERING OR THE PRICING (EXCEPT TO THE EXTENT PRICING IS RELEVANT TO TAX STRUCTURE OR TAX TREATMENT) OF THIS OFFERING.

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.

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

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 concerning the Collateral Manager provided by it in writing for inclusion in this Offering Circular under the heading "The Collateral Manager" and the subsections of the Risk Factors entitled "Certain Conflicts of Interest—Conflicts of Interest Involving the Collateral Manager" and "Limited CDO of CDOs Experience; Dependence on the Collateral Manager, the Sub-Advisor and Key Personnel and Prior Investment Results"). Neither the Sub-Advisor 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 concerning the Sub-Advisor provided by it in writing for inclusion in this Offering Circular under the heading "Sub-Advisor" and the subsections of the Risk Factors entitled "Certain Conflicts of Interest—Conflicts of Interest Involving the Sub-Advisor" and "Limited CDO of CDOs Experience; Dependence on the Collateral Manager, the Sub-Advisor and Key Personnel and Prior Investment Results"). None of the Hedge Counterparties, any of their respective guarantors nor any of their 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 Initial Hedge Counterparty and persons associated with the Initial Hedge Counterparty). Neither the Basis Swap Counterparty nor any of its 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 Basis Swap Counterparty (to the extent described under "Security for the Notes—The Basis Swap Counterparty"). Neither the Cashflow Swap Counterparty nor any of its 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"). 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 Trustee, the Collateral Manager, the Sub-Advisor, any Hedge Counterparty, the Basis Swap 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. Copies of such documents may also be obtained free of charge from NCB Stockbrokers Limited in its capacity as paying agent located in Dublin, Ireland (in such capacity, the "Irish Paying Agent") if and for so long as any Notes are listed on the Irish Stock Exchange.

The Co-Issuers will make available to any offeree of the Offered Securities, prior to the issuance thereof, the opportunity to ask questions of and to receive answers from the Co-Issuers or a person acting on their behalf concerning the terms and conditions of the Offering, the Co-Issuers or any other relevant matters and to obtain any

additional information to the extent the Co-Issuers possess such information or can obtain it without unreasonable expense. The information referred to in this paragraph will also be obtainable at the office of the Irish Paying Agent if and for so long as any Notes are listed on the Irish Stock Exchange.

Notwithstanding the foregoing, (a) each purchaser of Class A-1 Notes will be deemed to (i) make the representations set forth in the Class A-1A Notes Supplement and (ii) acknowledge that the Class A-1 Notes may not be reoffered, resold, pledged or otherwise transferred except as described in the Class A-1 Notes Supplement and (b) each purchaser of Class A-2 Notes will be deemed to (i) make the representations set forth in the Class A-2 Notes Supplement and (ii) acknowledge that the Class A-2 Notes may not be reoffered, resold, pledged or otherwise transferred except as described in the Class A-2 Notes Supplement. The Class A-1 Notes Supplement will be delivered to each purchaser of Class A-1 Notes and the Class A-2 Notes Supplement will be delivered to each purchaser of Class A-2 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 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, THE SUB-ADVISOR, ANY HEDGE COUNTERPARTY, THE BASIS SWAP 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 AUSTRALIA

NO PROSPECTUS, DISCLOSURE DOCUMENT, OFFERING MATERIAL OR ADVERTISEMENT IN RELATION TO THE OFFERED SECURITIES HAS BEEN LODGED WITH THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION OR THE AUSTRALIAN STOCK EXCHANGE LIMITED. ACCORDINGLY, A PERSON MAY NOT (A) MAKE, OFFER OR INVITE APPLICATIONS FOR THE ISSUE, SALE OR PURCHASE OF THE OFFERED SECURITIES WITHIN, TO OR FROM AUSTRALIA (INCLUDING AN OFFER OR INVITATION WHICH IS RECEIVED BY A PERSON IN AUSTRALIA) OR (B) DISTRIBUTE OR PUBLISH THIS OFFERING CIRCULAR OR ANY OTHER PROSPECTUS, DISCLOSURE DOCUMENT, OFFERING MATERIAL OR ADVERTISEMENT RELATING TO THE SECURITIES IN AUSTRALIA, UNLESS (I) THE MINIMUM AGGREGATE CONSIDERATION PAYABLE BY EACH OFFEREE IS THE U.S. DOLLAR EQUIVALENT OF AT LEAST A$500,000 (DISREGARDING MONEYS LENT BY THE OFFEROR OR ITS ASSOCIATES) OR THE OFFER OTHERWISE DOES NOT REQUIRE DISCLOSURE TO INVESTORS IN ACCORDANCE WITH PART 6D.2 OF THE CORPORATIONS ACT 2001 (CWLTH) OF AUSTRALIA, AND (II) SUCH ACTION COMPLIES WITH ALL APPLICABLE LAWS AND REGULATIONS.

NOTICE TO RESIDENTS OF BAHRAIN

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

NOTICE TO RESIDENTS OF BELGIUM

THIS OFFERING DOES NOT CONSTITUTE A PUBLIC OFFERING IN BELGIUM. THE OFFERING HAS NOT BEEN AND WILL NOT BE NOTIFIED TO, AND THIS OFFERING CIRCULAR OR ANY OTHER OFFERING MATERIAL RELATING TO THE OFFERED SECURITIES HAS NOT BEEN AND WILL NOT BE APPROVED BY, THE BELGIAN BANKING, FINANCE AND INSURANCE COMMISSION ("*COMMISSION BANCAIRE, FINANCIÈRE ET DES ASSURANCES/COMMISSIE VOOR HET BANK-, FINANCIE- EN ASSURANTIEWEZEN*"). ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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

NOTICE TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS

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

NOTICE TO RESIDENTS OF DENMARK

THE OFFERING OF THE OFFERED SECURITIES WILL BE MADE PURSUANT TO SECTION 11 SUBSECTION 1 NUMBER 1 AND 3 OF THE DANISH EXECUTIVE ORDER NO. 306 OF 28 APRIL 2005 (THE "EXECUTIVE ORDER") AND WILL NOT BE REGISTERED WITH AND HAVE NOT BEEN APPROVED BY OR OTHERWISE PUBLISHED BY THE DANISH FINANCIAL SUPERVISORY AUTHORITY, THE DANISH SECURITIES COUNCIL OR THE DANISH COMMERCE AND COMPANIES AGENCY UNDER THE RELEVANT DANISH ACTS AND REGULATIONS. THE OFFERING CIRCULAR WILL ONLY BE DIRECTED TO PERSONS IN DENMARK WHO ARE REGARDED QUALIFIED INVESTORS AS SET FORTH IN SECTION 2 OF THE EXECUTIVE ORDER AND/OR TO INVESTORS WHO ACQUIRE SECURITIES FOR A TOTAL CONSIDERATION OF AT LEAST EURO 50,000 PER INVESTOR, FOR EACH SEPARATE OFFER. THE OFFERED SECURITIES MAY NOT BE MADE AVAILABLE TO ANY OTHER PERSON IN DENMARK NOR MAY THE OFFERED SECURITIES OTHERWISE BE MARKETED OR OFFERED FOR SALE IN DENMARK.

NOTICE TO RESIDENTS WITHIN THE EUROPEAN ECONOMIC AREA

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE OR WHERE THE PROSPECTUS DIRECTIVE IS APPLIED BY THE REGULATOR (EACH, A "RELEVANT MEMBER STATE"), EACH MANAGER HAS REPRESENTED AND AGREED THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED OR APPLIED IN THAT RELEVANT MEMBER STATE (THE "RELEVANT IMPLEMENTATION DATE") IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF NOTES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE PRIOR TO THE PUBLICATION OF A CIRCULAR IN RELATION TO THE NOTES WHICH HAS BEEN APPROVED BY THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE OR, WHERE APPROPRIATE, APPROVED IN ANOTHER RELEVANT MEMBER STATE AND NOTIFIED TO THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE, ALL IN ACCORDANCE WITH THE PROSPECTUS DIRECTIVE, EXCEPT THAT IT MAY, WITH EFFECT FROM AND INCLUDING THE RELEVANT IMPLEMENTATION DATE, MAKE AN OFFER OF NOTES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE AT ANY TIME:

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

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

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

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

NOTICE TO RESIDENTS OF FINLAND

THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD, AND THIS OFFERING CIRCULAR MAY NOT BE DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO ANY RESIDENT OF THE REPUBLIC OF FINLAND OR IN THE REPUBLIC OF FINLAND, EXCEPT PURSUANT TO APPLICABLE FINNISH LAWS AND REGULATIONS. SPECIFICALLY, THE OFFERED SECURITIES MAY ONLY BE ACQUIRED FOR DENOMINATIONS OF NOT LESS THAN EURO 50,000, AND THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD, AND THIS OFFERING CIRCULAR MAY NOT BE DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO THE PUBLIC IN THE REPUBLIC OF FINLAND AS DEFINED UNDER THE FINNISH SECURITIES MARKET ACT OF 1989.

NOTICE TO RESIDENTS OF FRANCE

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

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

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

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

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

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

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

THIS OFFERING CIRCULAR AND ANY OTHER OFFERING MATERIAL RELATING TO THE OFFERED SECURITIES ARE NOT TO BE FURTHER DISTRIBUTED OR REPRODUCED (IN WHOLE OR IN PART) BY THE ADDRESSEE AND HAVE BEEN DISTRIBUTED ON THE BASIS THAT THE ADDRESSEE INVESTS FOR ITS OWN ACCOUNT, AS NECESSARY, AND DOES NOT RESELL OR OTHERWISE TRANSFER, DIRECTLY OR INDIRECTLY, THE OFFERED SECURITIES TO THE PUBLIC IN THE REPUBLIC OF FRANCE OTHER THAN IN COMPLIANCE WITH ARTICLES L. 411-1, L. 411-2, L. 412-1 AND L. 621-8 TO L. 621-8-3 OF THE FRENCH *CODE MONÉTAIRE ET FINANCIER*.

NOTICE TO RESIDENTS OF THE SPECIAL ADMINISTRATIVE REGION OF HONG KONG

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

NOTICE TO RESIDENTS OF HUNGARY

PURSUANT TO SECTION 14 (3) OF ACT CXX OF 2001 ON THE CAPITAL MARKETS (THE "HUNGARIAN CMA"), ANY AMOUNT AND SUM SHALL BE CALCULATED ON THE BASIS OF THE OFFICIAL EUR/HUF EXCHANGE RATE OF THE NATIONAL BANK OF HUNGARY EFFECTIVE ON THE DAY OF THE PASSING OF THE DECISION BY THE ISSUER ON THE PUBLIC OFFERING. FURTHERMORE, PURSUANT TO SECTION 17(1) OF THE HUNGARIAN CMA, THE ISSUER SHALL INFORM THE HUNGARIAN FINANCIAL SUPERVISORY AUTHORITY WITHIN 15 DAYS OF THE PRIVATE

PLACEMENT; WHEREAS AMONG OTHER CASES, THE HUNGARIAN CMA HAS IMPLEMENTED ARTICLE 3 PARAGRAPH 2 AND ARTICLE 4 PARAGRAPH 2 OF THE PROSPECTUS DIRECTIVE AS CASES OF PRIVATE PLACEMENT.

NOTICE TO RESIDENTS OF IRELAND

EACH OF THE ISSUER AND THE INITIAL PURCHASER HAS REPRESENTED, WARRANTED AND UNDERTAKEN THAT: (A) IT WILL NOT SELL OFFERED SECURITIES OTHERWISE THAN IN CONFORMITY WITH THE PROVISIONS OF THE INVESTMENT INTERMEDIARIES ACT, 1995 OF IRELAND, AS AMENDED, INCLUDING, WITHOUT LIMITATION, SECTIONS 9 AND 23 (INCLUDING ADVERTISING RESTRICTIONS MADE THEREUNDER) THEREOF AND THE CODES OF CONDUCT MADE UNDER SECTION 37 THEREOF OR, IN THE CASE OF A CREDIT INSTITUTION EXERCISING ITS RIGHTS UNDER THE BANKING CONSOLIDATION DIRECTIVE (2000/12/EC OF 20TH MARCH, 2000), AS AMENDED, IN CONFORMITY WITH THE CODES OF CONDUCT OR PRACTICE MADE UNDER SECTION 117(1) OF THE CENTRAL BANK ACT, 1989, OF IRELAND, AS AMENDED; (B) IN CONNECTION WITH OFFERS OR SALES OF OFFERED SECURITIES, IT HAS ONLY ISSUED OR PASSED ON, AND WILL ONLY ISSUE OR PASS ON, IN IRELAND, ANY DOCUMENT RECEIVED BY IT IN CONNECTION WITH THE ISSUE OF SUCH OFFERED SECURITIES TO PERSONS WHO ARE PERSONS TO WHOM THE DOCUMENTS MAY OTHERWISE LAWFULLY BE ISSUED OR PASSED ON; AND (C) IN RESPECT OF A LOCAL OFFER (WITHIN THE MEANING OF SECTION 38(1) OF THE INVESTMENT FUNDS, COMPANIES AND MISCELLANEOUS PROVISIONS ACT 2005 OF IRELAND OF OFFERED SECURITIES IN IRELAND, IT HAS COMPLIED AND WILL COMPLY WITH SECTION 49 OF THE INVESTMENT FUNDS, COMPANIES AND MISCELLANEOUS PROVISIONS ACT 2005 OF IRELAND.

NOTICE TO RESIDENTS OF ITALY

EACH OF THE ISSUER AND THE INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT IT WILL NOT OFFER, SELL OR DELIVER THE OFFERED SECURITIES OR DISTRIBUTE ANY DOCUMENT RELATING TO THE OFFERED SECURITIES IN ITALY UNLESS SUCH OFFER, SALE OR DELIVERY OF OFFERED SECURITIES OR DISTRIBUTION OF DOCUMENTS IS: (A) MADE BY AN INVESTMENT FIRM, BANK OR ANY OTHER AUTHORIZED INTERMEDIARY PURSUANT TO ARTICLE 25(1)d OF CONSOB REGULATION 11522; (B) IN COMPLIANCE WITH ARTICLE 129 OF THE BANKING CONSOLIDATED ACT AND THE IMPLEMENTING REGULATIONS OF THE BANK OF ITALY, PURSUANT TO WHICH THE ISSUE OR THE OFFER OF SECURITIES IN ITALY MAY NEED TO BE PRECEDED AND FOLLOWED BY AN APPROPRIATE NOTICE TO BE FILED WITH THE BANK OF ITALY UNLESS AN EXEMPTION, DEPENDING, *INTER ALIA*, ON THE AGGREGATE VALUE OF THE SECURITIES ISSUED OR OFFERED IN ITALY AND THEIR CHARACTERISTICS APPLIES; AND (C) IN COMPLIANCE WITH ANY AND ALL OTHER APPLICABLE LAWS AND REGULATIONS, INCLUDING ANY NOTIFICATION REQUIREMENT OR LIMITATION WHICH MAY BE IMPOSED BY THE ITALIAN *COMMISSIONE NAZIONALE PER LA SOCIETÀ E LA BORSA* ("CONSOB") OR THE BANK OF ITALY, AND, IN ANY EVENT, PROVIDED THAT THE INITIAL PURCHASER PURCHASING THE OFFERED SECURITIES UNDERTAKES NOT TO FURTHER DISTRIBUTE OR TRANSFER THE OFFERED SECURITIES, EXCEPT IN ACCORDANCE WITH ANY APPLICABLE LAWS AND REGULATIONS, INCLUDING ANY REQUIREMENTS OR LIMITATIONS IMPOSED BY CONSOB OR THE BANK OF ITALY.

NOTICE TO RESIDENTS OF JAPAN

THE OFFERED SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF JAPAN. NEITHER THE OFFERED SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO OR FOR THE ACCOUNT OF ANY RESIDENT IN JAPAN (WHICH

TERM AS USED HEREIN MEANS ANY PERSON RESIDENT OF JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN), OR TO OTHERS FOR RE-OFFERING OR SALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO A RESIDENT OF JAPAN EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE SECURITIES AND EXCHANGE LAW AND ANY OTHER APPLICABLE LAW, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

NOTICE TO RESIDENTS OF KOREA

NONE OF THE ISSUER, THE CO-ISSUER AND THE INITIAL PURCHASER IS MAKING ANY REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO THE QUALIFICATION OF THE RECIPIENTS OF THIS OFFERING CIRCULAR FOR THE PURPOSE OF INVESTING IN THE OFFERED SECURITIES UNDER THE LAWS OF KOREA, INCLUDING AND WITHOUT LIMITATION THE FOREIGN EXCHANGE MANAGEMENT LAW AND REGULATIONS THEREUNDER. THE OFFERED SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF KOREA AND NONE OF THE OFFERED SECURITIES MAY BE OFFERED OR SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT PURSUANT TO APPLICABLE LAWS AND REGULATIONS OF KOREA.

NOTICE TO RESIDENTS OF THE KINGDOM OF NORWAY

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

NOTICE TO RESIDENTS OF SINGAPORE

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

NOTICE TO RESIDENTS OF SPAIN

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

NOTICE TO RESIDENTS OF SWITZERLAND

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

NOTICE TO RESIDENTS OF TAIWAN AND THE PEOPLE'S REPUBLIC OF CHINA

THE OFFER OF THE OFFERED SECURITIES HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE SECURITIES AND FUTURES COMMISSION OF TAIWAN OR WITH THE RELEVANT REGULATORY AUTHORITIES IN THE PEOPLE'S REPUBLIC OF CHINA PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS AND MAY NOT BE OFFERED OR SOLD WITHIN TAIWAN OR THE PEOPLE'S REPUBLIC OF CHINA THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE LAW OF TAIWAN OR WITHIN THE MEANING OF RELEVANT SECURITIES LAWS AND REGULATIONS IN THE PEOPLE'S REPUBLIC OF CHINA THAT REQUIRE A REGISTRATION OR APPROVAL OF THE SECURITIES AND FUTURES COMMISSION OF TAIWAN OR THE RELEVANT SECURITIES REGULATORY AUTHORITIES IN THE PEOPLE'S REPUBLIC OF CHINA.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

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

WHICH THIS COMMUNICATION RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

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) 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, the Trustee or, if and for so long as any Notes are listed on the Irish Stock Exchange, the Irish Paying Agent located in Ireland or (b) in the case of the Preference Shares, the Preference Share Paying Agent.

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SUMMARY

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

Certain General Terms

Issuer:	Class V Funding II, Ltd.
Co-Issuer (with respect to the Notes only):	Class V Funding II, Corp.
Collateral Manager:	Credit Suisse Alternative Capital, Inc.
Sub-Advisor:	Bear Stearns Asset Management Inc.
Initial Purchaser:	Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting in its individual capacity and through its affiliates. Sales of the Offered Securities to purchasers in the United States will be made through Merrill Lynch, Pierce, Fenner & Smith Incorporated.
Trustee/Custodian/Preference Share Paying Agent:	LaSalle Bank National Association, a national banking association.
Closing Date:	May 18, 2006
Ramp-Up Completion Date:	The date that is the earlier of (a) August 7, 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.$300,000,000 (such date, the "Ramp-Up Completion Date"). The Ramp-Up Completion Date is expected to occur on or about August 7, 2006.
Quarterly Distribution Dates:	February 21, May 21, August 21 and November 21 of each calendar year (adjusted as described herein in the case of non-Business Days), commencing on August 21, 2006.
Expected Proceeds:	The gross proceeds from the issuance and sale of the Offered Securities, together with the Up Front Payment to be made to the Issuer under the Basis Swap Agreement, are expected to be approximately U.S.$307,500,000 (after giving effect to and assuming the issuance in full of the Class A-1 Notes after the Closing Date) and the anticipated gross proceeds as of the Closing Date will be approximately U.S.$239,500,000. The net proceeds from the issuance of the Offered Securities (after giving effect to and assuming the issuance in full of the Class A-1 Notes after the Closing Date), together with the Up Front Payment to be made to the Issuer under the Basis Swap Agreement are expected to be approximately U.S.$300,000,000 after payment of organizational and structuring fees and expenses of the Co-Issuers, including, without limitation (i) the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser, the Collateral Manager, the up-front fee paid to the Collateral Manager and the up-front fee paid to the Conflicts Review Board, (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, structuring fees and marketing costs) and (iv) the initial deposits into the Expense Account and the Interest Reserve Account.

Use of Proceeds: Net proceeds will be used by the Issuer to purchase during the period from the Closing Date to the Ramp-Up Completion Date a diversified portfolio of CDO Obligations, Other ABS and Synthetic Securities the Reference Obligations of which may be CDO Obligations, Other ABS 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.

General Terms of the Notes

	Security	Principal Amount	Stated Maturity	Interest Rate	Ratings (Moody's/ Standard & Poor's)
1.	Class A-1 First Priority Senior Secured Floating Rate Notes[1]	U.S.$68,000,000	May 21, 2046	LIBOR[2] + a floating spread not to exceed 0.95%[3]	Aaa/AAA
2.	Class A-2A Second Priority Senior Secured Floating Rate Notes	U.S.$68,000,000	May 21, 2046	LIBOR[4] + a floating spread not to exceed 0.95%[5]	Aaa/AAA
3.	Class A-2B Second Priority Senior Secured Floating Rate Notes	U.S.$68,000,000	May 21, 2046	LIBOR[6] + a floating spread not to exceed 0.95%[7]	Aaa/AAA

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[1] A certificate or certificates evidencing the Class A-1 Notes shall be delivered to the Depository on the Closing Date as described herein, but the Class A-1 Notes will not be issued for purposes of the Indenture and will not evidence any indebtedness of the Co-Issuers until they are paid for by the Initial Purchaser on August 7, 2006. On such date, absent the occurrence of certain intervening events described herein, the entire aggregate principal amount of the Class A-1 Notes shall be issued by the Co-Issuers and paid for by the Initial Purchaser.

[2] Except as otherwise provided in the Class A-1 Notes Supplement, LIBOR is three-month LIBOR calculated as described herein and computed on the basis of a year of 360 days and actual number of days elapsed.

[3] Maximum rate representing the sum of (a) interest which holders of the Class A-1 Notes are entitled to receive and (b) the Class A-1 Other Amounts. See the Class A-1 Notes Supplement.

[4] Except as otherwise provided in the Class A-2 Notes Supplement, LIBOR is three-month LIBOR calculated as described herein and computed on the basis of a year of 360 days and actual number of days elapsed.

[5] Maximum rate representing the sum of (a) interest which holders of the Class A-2A Notes are entitled to receive and (b) the Class A-2A Other Amounts. See the Class A-2 Notes Supplement.

[6] Except as otherwise provided in the Class A-2 Notes Supplement, LIBOR is three-month LIBOR calculated as described herein and computed on the basis of a year of 360 days and actual number of days elapsed.

[7] Maximum rate representing the sum of (a) interest which holders of the Class A-2B Notes are entitled to receive and (b) the Class A-2B Other Amounts. See Class A-2 Notes Supplement.

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

	Security	Principal Amount	Stated Maturity	Interest Rate	Ratings (Moody's/ Standard & Poor's)
4.	Class B Third Priority Secured Floating Rate Notes	U.S.$45,000,000	May 21, 2046	LIBOR[8] + 0.70%	Aa2/AA
5.	Class C Fourth Priority Secured Floating Rate Notes	U.S.$7,000,000	May 21, 2046	LIBOR[8] + 0.90%	Aa3/AA-
6.	Class D Fifth Priority Mezzanine Secured Floating Rate Deferrable Notes	U.S.$26,000,000	May 21, 2046	LIBOR[8] + 4.00%[9]	Baa2/BBB

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

Delayed issuance of the Class A-1 Notes: Notwithstanding any other statements in this Offering Circular to the contrary, on August 7, 2006, the Co-Issuers shall sell to the Initial Purchaser, and the Initial Purchaser shall purchase from the Co-Issuers, at a purchase price of 100% of the principal amount thereof on such date, the entire aggregate principal amount of the Class A-1 Notes. The Initial Purchaser may require that the Class A-1 Notes be issued as contemplated by the Auction Rate Agency and Amending Agreement through the issuance of beneficial interests in such Class A-1 Notes to the bidders that submit winning bids in the first Class A-1 Auction conducted under the Auction Rate Agency and Amending Agreement with respect to the Class A-1 Notes. The Initial Purchaser's obligation to effect such purchase shall, subject to the consummation of the purchase by the Initial Purchaser of the other Notes on the Closing Date, be absolute and unconditional unless an Event of Default shall have occurred and is continuing, an Optional Redemption or Tax Redemption shall occur prior to the date of such purchase or the Trustee shall have commenced a liquidation of the Collateral. A certificate or certificates evidencing the Class A-1 Notes shall be delivered to the Depository on the Closing Date as otherwise contemplated hereby and by the Indenture, but the Class A-1 Notes will not be issued for purposes of the Indenture, and will not evidence any indebtedness of the Co-Issuers, until they are paid for as contemplated in this paragraph. Payment for the Class A-1 Notes being issued and purchased on August 7, 2006 shall be made by the Initial Purchaser as provided in the Auction Rate Agency and Amending Agreement.

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

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

Seniority:	*First*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, Class C Notes and, *fifth*, Class D Notes, except as discussed below and under "Description of the Notes—Priority of Payments". Together the Class A-1 Notes and the Class A-2 Notes are referred to as the "Class A Notes". See "Description of the Notes—Priority of Payments". Notwithstanding the foregoing general description of the relative seniority of the Notes, the Priority of Payments provides that (a) certain Interest Proceeds that would otherwise be distributed to the holders of the Preference Shares will be used, prior to the payment of the principal in full of all outstanding Senior Classes of Notes, to pay the Class D Notes (including Class D Deferred Interest) and (b) on any Quarterly Distribution Date not occurring during a Sequential Pay Period, certain Principal Proceeds may be applied to the pro rata payment of Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes up to the Class A/B/C Pro Rata Principal Payment Cap with the remaining Principal Proceeds being available to pay principal of the Class D Notes in accordance with the Priority of Payments. See "Description of the Notes—Priority of Payments".
Security for the Notes:	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 Collateral Manager, the Sub-Advisor, the Trustee, each Hedge Counterparty, the Basis Swap Counterparty and the Cashflow Swap Counterparty (collectively, the "Secured Parties") pursuant to the Indenture. See "Description of the Notes—Status and Security".
Interest Payments:	Interest on the Notes will accrue from the Closing Date (or, with respect to the Class A-1 Notes, the date of issuance after the Closing Date). 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. Notwithstanding the foregoing, the Issuer will enter into the Basis Swap Agreement in order to finance the payment on monthly payment dates of periodic payments of interest on the Class A-1 Notes, as described in the Class A-1 Notes Supplement, and the Class A-2A Notes and the Class A-2B Notes, as described in the Class A-2 Notes Supplement.
Basis Swap Agreement	On the Closing Date, the Issuer will enter into a Basis Swap Agreement with respect to the Class A-1 Notes, Class A-2A Notes and Class A-2B Notes (such agreement, and any replacement therefor entered into in accordance with the Indenture, the "Basis Swap Agreement") with AIG Financial Products Corp., a Delaware corporation (the "Basis Swap Counterparty").
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 payable on the Class A-1 Notes (or, if the Basis Swap is in effect, the gross amount payable by the Issuer to the Basis Swap Counterparty with respect to the Notes, without taking into account any netting provision), Class A-2 Notes (or, if the Basis Swap is in effect, the gross amount payable by the Issuer to the Basis Swap Counterparty with respect to the Notes, without taking into account any netting provision), Class B 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, all in accordance with the Priority of Payments. See "The Cashflow Swap Agreement".

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 in accordance with the Priority of Payments. "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, Written Down Security, Equity Security, Deferred Interest PIK Bond or Deliverable Obligation that is a Defaulted Security made since such security became a Defaulted Security, Written Down Security, Equity 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 (*provided* that, for the purposes of this subclause (ii), the par amount with respect to a Written Down Security shall be deemed to be the original par amount thereof, and not the written-down amount thereof) and (iii) all Sale Proceeds (other than accrued interest treated as Interest Proceeds included therein) from Credit Risk Securities, Credit Improved Securities and other Collateral Debt Securities that are not reinvested in accordance with the Indenture. 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 in accordance with the Priority of Payments.
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 May 21, 2009, (b) the Quarterly Distribution Date on which the Collateral Manager specifies that no further investments in substitute Collateral Debt Securities will occur (*provided* that any such specification by the Collateral Manager will not be based on changes in the market value of the Pledged Collateral Debt Securities), (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 equal to or greater than 500 and (e) the date on which the rating of (i) any of the Class A-1 Notes, the Class A-2 Notes or the Class B 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 C Notes or the Class D 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 Moody's. The Issuer may, subject to certain limitations and procedures, sell Defaulted Securities, Written Down Securities, Defaulted Interest PIK Bonds, Credit Improved Securities, Credit Risk Securities and Equity Securities at any time. See "Security for the Notes—Dispositions of Collateral Debt Securities".

Mandatory Redemption:	As described in greater detail below, the Notes will, on any Quarterly Distribution Date occurring after the Ramp-Up Completion Date, be subject to mandatory redemption if any 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". 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 such Determination Date, Interest Proceeds will be used to pay, in accordance with the Priority of Payments, principal of *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and *fourth*, the Class C Notes, to the extent necessary to cause each Class A/B/C Coverage Test to be satisfied. 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, (a) Interest Proceeds that would otherwise be used to make distributions to the Preference Shareholders and to pay certain other expenses must instead be used to pay principal of *first*, the Class D Notes (including any Class D Deferred Interest), *second*, the Class C Notes, *third*, the Class B Notes, *fourth*, the Class A-2 Notes and *fifth*, the Class A-1 Notes and (b) if necessary, Principal Proceeds must be used to pay principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes and *fifth*, the Class D Notes, in each case, to the extent necessary to cause each Class D Coverage Test to be satisfied. See "– Priority of Payments". For the purpose of determining any payment to be made on any Quarterly Distribution Date pursuant to any applicable clause of "Priority of Payments", any Coverage Test referred to in such clause shall be calculated as of the relevant Quarterly Distribution Date after giving effect to all payments to be made on such Quarterly Distribution Date prior to such payment in accordance with "Priority of Payments". See "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-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes and *fifth*, the Class D Notes (including any Class D Deferred Interest), 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".
Listing:	Application will be made to list the Notes on the Irish Stock Exchange. The issuance and settlement of the Notes on the Closing Date are not conditioned on the listing of the Notes on such exchange, and there can be no guarantee that such application will be granted.
Irish Listing Agent:	NCB Stockbrokers Limited
Irish Paying Agent:	NCB Stockbrokers Limited

General Terms of the Preference Shares

Aggregate Liquidation Preference:	U.S.$18,000,000 (U.S.$1,000 per share).
Rating:	Not rated.
Minimum Trading Lot:	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".
Status:	The Preference Shares will constitute part of the issued share capital of the Issuer and will not be secured.
Distributions:	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") *provided* that, if the Preference Shareholders have received an annualized Dividend Yield of 19.5% per annum on any Quarterly Distribution Date and the Class D Notes have not been redeemed prior to such date, on each such Quarterly Distribution Date, Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will instead be applied to pay principal of the Class D Notes until the Class D Notes have been paid in full. 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.

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

Description of the Collateral

General:	The Notes (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, the rights of the Issuer in each Synthetic Security Issuer 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 and the Basis Swap Agreement, (v) the rights of the Issuer under the Collateral Management Agreement, the Sub-Advisory Agreement, the Collateral Administration Agreement, the Administration Agreement, the Investor Application Forms, and the Conflicts Review Board Services 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.$210,000,000. 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.$300,000,000. The Issuer is required to satisfy the Coverage Tests, the Collateral Quality Tests and the Standard & Poor's CDO Monitor Test as of the Ramp-Up Completion Date. 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 in the Indenture and described herein under "Security for the Notes—Disposition of Collateral Debt Securities" and "Security for the Notes—Eligibility Criteria". No investments will be made in Collateral Debt Securities after the last day of the Substitution Period. No investments in Collateral Debt Securities will be made from Specified Principal Proceeds. The Collateral Manager will not be permitted to direct the Trustee to sell Collateral Debt Securities except in the limited circumstances set forth in the Indenture and 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, 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 Class A-1 Notes Supplement, and prospective investors in the Class A-2A Notes and Class A-2B Notes should also review the Class A-2 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 Sub-Advisor, the Administrator, any Rating Agency, the Share Trustee, the Initial Purchaser, the Basis Swap 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. Consequently, the Noteholders must rely solely on amounts received in respect of the Collateral Debt Securities and other Collateral pledged to secure the Notes for the payment of principal thereof and interest thereon. There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral 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 on each Class of Notes that is Senior to such Class and that remain outstanding have been paid in full. Except as otherwise described in, and subject to, the Priority of Payments, on any Quarterly Distribution Date on which the Preference Shareholders receive an annualized Dividend Yield of 19.5% per annum, following a failure to satisfy any Class D Coverage Test, following a Rating Confirmation Failure or 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 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 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 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. 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 D Notes, *third*, by the holders of the Class C Notes, *fourth*, by the holders of the Class B Notes, *fifth*, by the holders of the Class A-2 Notes and *sixth*, by the holders of the Class A-1 Notes.

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 (i)(a), (i)(b)(A), (ii) or (viii) under "Description of the Notes—The Indenture—Events of Default" (but with respect to clause (ii), solely as it applies to the Class A-1 Notes) 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, 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 (i)(a) or (ii) under "Description of the Notes—The Indenture—Events of Default" (but with respect to clause (ii), as it applies to the Class A-1 Notes only), 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 and the Class D Notes shall not be entitled to any vote relating thereto; (c) subject to the rights of the Cashflow Swap Counterparty described below, in the case of an Event of Default specified in clause (i)(b)(A) under "Description of the Notes—The Indenture—Events of Default", unless each of the Class A-1 Notes and the Class A-2 Notes has been paid in full, 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 may direct the sale and liquidation of the Collateral and the holders of the Class B Notes, the Class C Notes and the Class D Notes shall not be entitled to any vote relating thereto; or (d) subject to the rights of the Cashflow Swap Counterparty described below, in the case of an Event of Default specified in clause (viii) under "Description of the Notes—The Indenture—Events of Default", holders of at least 66-2/3% of the aggregate outstanding principal amount of each of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes, voting as a separate Class, may direct the sale and liquidation of the Collateral and the holders of the Class D 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 (d) 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 Collateral Swap Counterparty. If the Cashflow Swap Counterparty fails to affirmatively vote within five Business Days after 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".

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 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. 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.

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, if the Issuer fails any Coverage Test after the Ramp-Up Completion Date, or if the Preference Shareholders have received an annualized Dividend Yield of 19.5% per annum on any Quarterly Distribution Date, 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. See "Description of the Notes—Priority of Payments—Interest Proceeds".

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.

Diversion of Interest Proceeds. On each Quarterly Distribution Date until the Class D Notes have been paid in full, the amount of Interest Proceeds released from the lien of the Indenture for payment to the Preference Shareholders will be limited to the amount necessary to permit the Preference Shareholders to achieve on such Quarterly Distribution Date an annualized Dividend Yield of 19.5% per annum on the aggregate liquidation preference of the Preference Shares. This may result in a reduction in the average annual return on the Preference Shares until the redemption thereof. See "Description of the Notes—Priority of Payments—Interest Proceeds".

Delayed Issuance of the Class A-1 Notes. The Class A-1 Notes will not be issued on the Closing Date. Notwithstanding any other statements in this Offering Circular to the contrary, on August 7, 2006, the Co-Issuers shall sell to the Initial Purchaser, and the Initial Purchaser shall purchase from the Co-Issuers, at a purchase price of 100% of the principal amount thereof on such date, the entire aggregate principal amount of the Class A-1 Notes. The Initial Purchaser may require that the Class A-1 Notes be issued as contemplated by the Auction Rate Agency and Amending Agreement through the issuance of beneficial interests in such Class A-1 Notes to the bidders that submit winning bids in the first Class A-1 Auction conducted under the Auction Rate Agency and Amending Agreement with respect to the Class A-1 Notes. The Initial Purchaser's obligation to effect such purchase shall, subject to the consummation of the purchase by the Initial Purchaser of the other Notes on the Closing Date, be absolute and unconditional unless an Event of Default shall have occurred and is continuing, an Optional Redemption or Tax Redemption shall occur prior to the date of such purchase or the Trustee shall have commenced a liquidation of the Collateral. A certificate or certificates evidencing the Class A-1 Notes shall be delivered to the Depository on the Closing Date as otherwise contemplated hereby and by the Indenture, but the Class A-1 Notes will not be issued for purposes of the Indenture, and will not evidence any indebtedness of the Co-Issuers, until they are paid for as contemplated in this paragraph. Payment for the Class A-1 Notes being issued and purchased on August 7, 2006 shall be made by the Initial Purchaser as provided in the Auction Rate Agency and Amending Agreement. In the event the Initial Purchaser fails pay the purchase price of the Class A-1 Notes, and the Co-Issuers are otherwise unable to issue or fund such Class A-1 Notes, 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 and the Class A-2 Notes. Information material to the terms of an investment in the Class A-1 Notes is contained in the 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 Class A-1 Notes Supplement. Information material to the terms of an investment in the Class A-2A Notes and the Class A-2B Notes is contained in the Class A-2 Notes Supplement, and no investor should purchase an interest in the Class A-2A Notes or the Class A-2B Notes without reviewing both this Offering Circular and the Class A-2 Notes Supplement.

Interest rate on the Class A-1 Notes and the Class A-2 Notes. Prospective investors in the Notes should assume that (i) the effective interest rate on the Class A-1 Notes will not exceed LIBOR plus 0.95%, (ii) the effective interest rate on the Class A-2A Notes will not exceed LIBOR plus 0.95% and (iii) the effective interest rate on the Class A-2B Notes will not exceed LIBOR plus 0.95%. Prospective investors in the Class A-1 Notes should review the Class A-1 Notes Supplement, which describes how the interest rate on the Class A-1 Notes will be determined and paid. Prospective investors in the Class A-2A Notes and the Class A-2B Notes should review the Class A-2 Notes Supplement, which describes how the interest rate on the Class A-2A Notes and the Class A-2B Notes will be determined and paid.

Nature of Collateral. The Collateral pledged to secure the Notes will consist of Asset-Backed Securities and Synthetic Securities. It is expected that at least 75% of the Collateral will consist of CDO Obligations, with the remainder of the Collateral, if any, consisting of Other ABS or Synthetic Securities. The Collateral consisting of Synthetic Securities, if any, may include credit linked notes and Synthetic Securities the Reference Obligations of which are CDO Obligations, Residential Mortgage Backed Securities, Commercial Mortgage Backed Securities or Other ABS. The underlying assets of the CDO Obligations may include CDO Obligations, commercial and corporate bank loans (including senior loans, middle market loans and small business loans), bonds (including investment grade bonds and high yield bonds) and other debt securities (including CDO Obligations, Residential Mortgage Backed Securities, Commercial Mortgage Backed Securities or Other ABS, 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 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.

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 if a Synthetic Security is not a Form Approved Synthetic Security, 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 August 7, 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".

All Collateral Debt Securities included in the Collateral must be "eligible assets" as defined in Rule 3a-7 under the Investment Company Act. "Eligible assets" are financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period plus any rights or other assets designed to assure the servicing or timely distribution of proceeds of those financial assets to security holders.

The Issuer is not permitted to sell Collateral Debt Securities except in certain limited circumstances described under "Security for the Notes—Dispositions of Collateral Debt Securities".

CDO Obligations. A significant portion (up to 100%) of the Collateral Debt Securities acquired by the Issuer will consist of CDO Obligations. "CDO Obligations" are obligations issued by an entity formed for the purpose of holding or investing and reinvesting primarily in a pool (each such pool, an "Underlying Portfolio") of commercial and industrial bank loans, bonds and other debt securities subject to specified investment and management criteria.

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

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

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

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 CDO Obligations may 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 CDO Obligations 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" and "Senior Loans".

CDO Obligations are subject to interest rate risk. The Underlying Portfolio of an issue of CDO Obligations may bear interest at a fixed (floating) rate while the CDO Obligations issued by such issuer may bear interest at a floating (fixed) rate. As a result, there could be a floating/fixed rate or basis mismatch between such CDO Obligations and Underlying

Portfolios which bear interest at a fixed rate, and there may be a timing mismatch between the CDO Obligations and Underlying Portfolios that bear interest at a floating rate as the interest rate on such floating rate Underlying Portfolios may adjust more frequently or less frequently, on different dates and based on different indices, than the interest rates on the CDO Obligations. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability to make payments on the CDO Obligations.

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

The deferral of interest by the issuer of CDO Obligations forming part of the Collateral could result in a reduction in the amounts available to make payments to the holders of the Notes or in the deferral of interest on the Class D Notes. Such deferral of interest on the CDO Obligations 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 in respect of the Class A, 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. In addition, the Cashflow Swap Agreement will not be available to pay amounts in account of interest on the Class D Notes. See "The Cashflow Swap Agreement".

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

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

Often Asset-Backed Securities are structured to reallocate the risks entailed in the underlying collateral (particularly credit risk) into security tranches that match the desires of investors. For example, senior subordinated security structures give holders of senior tranches greater credit risk protection (albeit at lower yields) than holders of subordinated tranches. Under this structure, at least two classes of Asset-Backed Securities are issued, with the senior class having a priority claim on the cash flows from the underlying pool of assets. The subordinated class must absorb credit losses on the collateral before losses can be charged to the senior portion. Because the senior class has this priority claim, cash flows from the underlying pool of assets must first satisfy the requirements of the senior class. Only after these requirements have been met will the cash flows be directed to service the subordinated class. A significant portion of the Collateral will consist of Asset-Backed Securities or CDO Obligations the Underlying Portfolios of which, or Synthetic Securities the Reference Obligations of which, are Asset-Backed Securities that are subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. In addition, many of such Asset-Backed Securities 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.

High Yield Corporate Debt Securities. A portion of the Collateral Debt Securities or the obligations in the Underlying Portfolios of the CDO Obligations included in the Collateral may consist of high yield corporate debt securities. Additionally, a portion of the Collateral Debt Securities included in the Collateral may consist of Synthetic Securities the Reference Obligations of which are high yield corporate debt 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 or the obligations in the Underlying Portfolios of the CDO Obligations included in the Collateral may consist of Middle Market Loan Securities. The Collateral Debt Securities may also include 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) 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.

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 lend 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 portion of the obligations in the Underlying Portfolios of the CDO Obligations may 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 may include such securities or Synthetic Securities, the Reference Obligations of which are RMBS and CMBS.

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.

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.

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 and CMBS may have structural characteristics that distinguish them from other Asset-Backed Securities. The rate of interest payable on RMBS and CMBS may be set or effectively capped at the weighted average net coupon of the underlying mortgage loans themselves, often referred to as an "available funds cap." As a result of this cap, the return to investors is dependent on the relative timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater impact on the yield to 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.

Many of the RMBS and CMBS which the Issuer may 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.

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 CDO Obligations may consist of Senior Loans or the Collateral Debt Securities may include 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.

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 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 CDO Obligations 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 CDO Obligations 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 CDO Obligations may cause the issuers of the CDO Obligations 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 CDO Obligation.

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 CDO Obligation may be subject to claims from creditors of an issuer that obligations issued by such issuer that are held by the issuer of such CDO Obligation 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.

Synthetic Securities. As described above, a portion of the obligations in the Underlying Portfolios of the CDO Obligations included in the Collateral may consist of Synthetic Securities the Reference Obligations of which are Asset-Backed Securities, including CDO Obligations, or a specified pool or index of financial assets, either static or revolving, that by its terms converts into cash within a finite period of time. Additionally, a portion of the Collateral Debt Securities included in the Collateral may consist of such Synthetic Securities. Investments in such types of assets through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such Collateral Debt Securities. 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. The Issuer generally will have no right directly to enforce compliance by the Reference Obligor(s) with the terms of either the Reference Obligation 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. The Issuer will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In 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 of title with respect to the Reference Obligation. Consequently, the Issuer will be subject to the credit risk of the counterparty as well as that of the Reference Obligor(s). As a result, concentrations of Synthetic Securities entered into with any one 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). One or more affiliates of the Initial Purchaser may act as counterparty with respect to all or a portion of the Synthetic Securities, which relationship may create certain conflicts of interest. Furthermore, such affiliates of the Initial Purchaser, may in their role as counterparty to all or a portion of the Synthetic Securities, manage a pool of Reference Obligations with respect to the Synthetic Securities and make determinations regarding those Reference Obligations. See "—Certain Conflicts of Interest—Conflicts of Interest Involving the Initial Purchaser". If the terms of any Synthetic Security require the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, funds and other property used to secure such obligations will be deposited into a Synthetic Security Issuer Account. These funds may be invested, upon Issuer Order, in Eligible Investments or other Synthetic Security Collateral. In the event of a termination of such Synthetic Security, the Issuer would be entitled to receive the funds and other property standing to the credit of such Synthetic Security Issuer Account and if such the funds or other property have been invested in Synthetic Security Collateral, such Synthetic Security Collateral will become Pledged 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". If the terms of any Defeased Synthetic Security require the Issuer to secure its obligations with respect to such Synthetic Security, funds and other property used to secure such obligations will be deposited into a Synthetic Security Counterparty Account. In accordance with the terms of the applicable Defeased Synthetic Security, these funds will be invested in Eligible Investments or other Synthetic Security Collateral. 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, all funds and other property standing to the credit of the Synthetic Security Counterparty Account related to such Defeased Synthetic Security will be credited to the Principal Collection Account (in the case of cash and Eligible Investments) or the Custodial Account (in the case of Synthetic Security Collateral other than cash and Eligible Investments). There can be no assurance that in such event the Pledged Collateral Debt Securities (as a whole) will meet the Eligibility Criteria; See "Security for the Notes—The Accounts—Synthetic Security Counterparty Accounts".

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 may include privately placed Collateral Debt Securities that may or may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale, and even if such privately placed Collateral Debt Securities are transferable, the prices realized from their sale could be less than those originally paid by the Issuer or less than what may be considered the fair value of such securities.

Unspecified Use of Proceeds. It is expected that on the Closing Date, proceeds from the issuance and sale of the Offered Securities will be used to purchase Collateral Debt Securities having an aggregate Principal Balance of not less than U.S.$210,000,000. The remainder of the proceeds from the issuance and sale of the Offered Securities (including amounts paid in respect of the Class A-1 Notes after the Closing Date) will 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, if requested by the Collateral Manager, with assistance from the Sub-Advisor) and, accordingly, will be dependent upon the judgment and ability of the Collateral Manager, with assistance from the Sub-Advisor, 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, and, if requested by the Collateral Manager, with assistance from the Sub-Advisor) 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 (including Sale Proceeds), other than Specified Principal Proceeds, may be reinvested in additional Collateral Debt Securities during the Substitution Period in compliance with the Eligibility Criteria (including each Class A/B/C Coverage Test and the other criteria set forth in "Security for the Notes—Eligibility Criteria"). 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 earnings with respect to such substitute Collateral Debt Securities will depend, among other factors, on reinvestment rates available in the marketplace at the time and on the availability of investments satisfying the Eligibility Criteria and 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 Asset-Backed 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.

Rating Confirmation Failure. The Issuer will notify the Trustee, each Rating Agency, each Hedge Counterparty, the Basis Swap Counterparty and the Cashflow Swap Counterparty in writing within five 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-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes and *fifth*, the Class D Notes, including any Class D Deferred Interest, in each case to the extent necessary to obtain a Rating Confirmation from each Rating Agency. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments".

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

Certain Conflicts of Interest. The activities of the Collateral Manager, the Sub-Advisor, 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 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 of the Initial Purchaser has acted as underwriter, agent, placement agent or dealer or for which an affiliate of the Initial Purchaser has acted as lender or provided other commercial or investment banking services. The Initial Purchaser or an affiliate of the Initial Purchaser may structure issuers of Collateral Debt Securities and arrange to place such Collateral Debt Securities with the Issuer. The Initial Purchaser or one or more of its affiliates may also act as counterparty with respect to Synthetic Securities. In its role as counterparty with respect to Synthetic Securities, the Initial Purchaser or one or more of its affiliates may manage a pool of Reference Obligations with respect to the Synthetic Securities and make determinations regarding those Reference Obligations. In addition, an affiliate of the Initial Purchaser may act as a Hedge Counterparty under any Hedge Agreement. The Initial Purchaser or one or more of its affiliates may enter into derivative transactions with third parties relating to the Offered Securities or to Collateral Debt Securities acquired by the Issuer, and the Initial Purchaser or one or more of its affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Offered Securities, Collateral Debt Securities or one or more portfolios of financial assets similar to the portfolio of Collateral Debt Securities acquired by (or intended to be acquired by) the Issuer. Such activities may create certain conflicts of interest, 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.

Conflicts of Interest Involving the Collateral Manager. Credit Suisse Alternative Capital, Inc. (the "Collateral Manager"), Credit Suisse, a Swiss banking corporation (the "Bank") and Credit Suisse Securities (USA) LLC ("CSS") are affiliated entities. Due to the breadth of the activities of the Collateral Manager, the Bank, CSS and their affiliates, conflicts of interest may arise as a result of various factors involving the Collateral Manager and CSS and their respective affiliates and others. CSS has entered into a services agreement with the Collateral Manager to make available to the Collateral Manager certain of its employees to enable the Collateral Manager to perform its obligations under the Collateral Management Agreement. These employees of CSS are members of the Leveraged Investment Group ("LIG"). Certain members of the LIG team are also officers of the Collateral Manager. See "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 (including CSS) 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 and may be buyers or sellers of credit protection that reference Collateral Debt Securities owned by the Issuer. The Collateral

Manager may acquire CDO Obligations of issuers for which the Collateral Manager or an affiliate acts as a collateral manager or investment manager and receives compensation therefor. In such cases, the Collateral Manager will benefit from fees at the CDO Obligation level as well as fees paid by the Issuer. Affiliates of the Collateral Manager may act as the underwriter, initial purchaser or placement agent for a significant portion of the Collateral Debt Securities acquired by the Issuer and receive compensation in connection therewith. In addition, affiliates of the Collateral Manager may act as the underwriter, initial purchaser, placement agent, arranger or syndication or other agent in connection with the issuance of obligations that are owned by the issuers of, or otherwise back, the Collateral Debt Securities acquired by the Issuer and receive compensation in connection therewith. Such ownership and such other relationships may result in securities laws restrictions on transactions in such securities 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, underwrite or originate Asset-Backed Securities, including CDO Obligations, 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, including members of the LIG team, 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 and members of the LIG team performing services for the Collateral Manager may, in their discretion, give priority over the Issuer in the allocation of investment opportunities to certain accounts or clients designated by the Collateral Manager or members of the LIG team 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. 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, including the Bank and CSS and their respective 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 (including the Bank and CSS and their respective 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, including the Bank and CSS and their respective 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, including the Bank and CSS, are active participants in the market for underwriting, placement, structuring and trading of Asset-Backed Securities including CDO Obligations, 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, and any purchases of any such securities or other obligations, when permitted, must be on terms prevailing in the market, and are subject to consent by the Conflicts Review Board described below. 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 when the Collateral Manager or an affiliate thereof has been involved in the underwriting or placement of, or has provided advisory services in connection with, the related transaction.

The Collateral Manager and its officers, agents and affiliates, including CSS, and their employees, may serve on creditor or equity committees or advise companies, potentially including companies that have issued securities or obligations owned by the Issuer or that back securities or obligations owned by the Issuer, subject to bankruptcy or insolvency proceedings or otherwise be engaged in financial restructuring activities in a variety of capacities. Such activities may result in the Collateral Manager receiving confidential information and may reduce the Collateral Manager's flexibility in purchasing or selling securities or other obligations on behalf of the Issuer. At times, the Collateral Manager and the members of the LIG team performing services for 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.

Affiliates of the Collateral Manager, including the Bank and CSS and their respective affiliates, may act as a Hedge Counterparty or a Synthetic Security Counterparty which may create certain conflicts of interest.

Affiliates of the Collateral Manager, including CSS, also maintain research departments with professional staffs of portfolio managers and/or securities analysts who will provide research services for the Collateral Manager as well as for other funds and investment advisory clients advised by the Collateral Manager and its affiliates.

Under the Collateral Management Agreement, the Collateral Manager is permitted to effect or recommend transactions between the Issuer and any of the Collateral Manager and its affiliates, acting as principal or on behalf of any account or portfolio for which the Collateral Manager or any of its affiliates serves as investment advisor, only upon disclosure to and with the prior consent of an institution unaffiliated with the Collateral Manager that has been appointed from time to time by the Issuer as its agent for such purpose (the "Conflicts Review Board"). The Conflicts Review Board will also be authorized by the Issuer to approve or decline to approve on the Issuer's behalf matters that the Collateral Manager has determined should be presented to the Issuer for its approval either for the purpose of compliance with the United States Investment Advisers Act of 1940, as amended (the "Advisers Act"), or otherwise where a potential conflict of interest may arise by reason of the involvement of an affiliate of the Collateral Manager (including, without limitation, in the case of a purchase or sale of assets between the Issuer and another account or portfolio for which the Collateral Manager or an affiliate thereof serves as investment advisor). In addition, the Collateral Manager and its affiliates, including the Bank and CSS, will be authorized to engage in cross transactions, including "agency cross" transactions (i.e., transactions in which either CSS or one of its affiliates or another person acts as a broker for both the Issuer and another person on the other side of the same transaction, which person may be an account or client for which the Collateral Manager or any affiliate serves as investment adviser). The Issuer has agreed to permit cross transactions; *provided*, that such consent can be revoked at any time by the Issuer or the Conflicts Review Board, and to the extent that the Issuer's consent with respect to any particular cross transaction is required by law, such cross transaction will be reviewed by and subject to the consent of the Conflicts Review Board. By purchasing a Note, a holder shall be deemed to have consented to the procedures described herein relating to cross transactions and principal transactions and, to the general authorization of the Conflicts Review Board described above. CSS or its affiliates may receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to any such principal transaction or cross transactions or other matter presented to the Conflicts Review Board for its approval on the Issuer's behalf.

The Conflicts Review Board or an affiliate may purchase Offered Securities. The Issuer has appointed HSBC Bank USA, NA to be the initial Conflicts Review Board. The fees and expenses of the Conflicts Review Board will be payable by the Issuer as part of its expenses in accordance with the Priority of Payments (or, with respect to amounts due on the Closing Date, from the gross proceeds of the sale of the Offered Securities). The Conflicts Review Board is also

entitled to indemnification from the Issuer in relation to its performance of its services, which will be payable as part of the Issuer's expenses in accordance with the Priority of Payments.

Each order for the acquisition or sale of a security or other obligation will be placed with a specific broker-dealer (which can include the Initial Purchaser or an affiliate of the Collateral Manager) selected by the Collateral Manager with the objective of receiving "best execution". "Best execution" essentially means that the trading process employed seeks to maximize value of the client's portfolio. In seeking best execution, the Collateral Manager considers the full range and quality of a counterparty's services including, among other things, the value of research provided, execution and operational capability, integrity and sound financial practices within stated objectives and constraints. Determining the quality of trade execution requires the evaluation, over time, of subjective, objective and complex qualitative and quantitative factors. In making this determination the Collateral Manager examines whether a client's assets would be exposed to non-operational counterparty related risk, whether value would be added by reducing trading costs and whether operational risk would be incurred. When selecting a counterparty, it is not the Collateral Manager's practice to negotiate "execution only" commission rates. The determinative factor is not necessarily the lowest possible commission or best possible price, but whether the transaction represents the best qualitative and quantitative execution for the client. The Collateral Manager may receive some brokerage or research services in connection with the acquisition or sale of a security or other obligation that are consistent with the "safe harbor" provisions of Section 28(e) of the Exchange Act. While the Collateral Manager generally seeks reasonably competitive pricing, markups, commissions and spreads, the Issuer will not necessarily pay the lowest pricing, markup, commission or spread available with respect to any particular transaction. In the event the Collateral Manager effects transactions through an affiliate of the Collateral Manager, including CSS, the Collateral Manager may have potentially conflicting division of loyalties and responsibilities regarding both parties to such transactions.

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 and other functions they perform as part of the LIG team of CSS.

The Collateral Manager has agreed that it and/or an affiliate will purchase 4,000 Preference Shares having an aggregate liquidation preference of U.S.$4,000,000 on the Closing Date. Affiliates of the Collateral Manager may, but are not required to, purchase Preference Shares subject to applicable restrictions on beneficial ownership described herein. Affiliates of the Collateral Manager (including CSS) may also purchase Notes subject to applicable restrictions on beneficial ownership described herein. Neither the Collateral Manager nor any of its affiliates 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, CSS or any of their respective affiliates to purchase the Notes (either upon initial issuance or through secondary transfers) and to exercise any voting rights to which such Notes are entitled (except that Notes held by the Collateral Manager and certain of its affiliates 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). The Notes may also be purchased (either upon initial issuance or through secondary transfers) by investment funds or other accounts for which the Collateral Manager serves as investment advisor and there are only limited restrictions on the exercise by such funds or accounts of any voting rights to which such Notes are entitled. Any votes cast in relation to Preference Shares held by the Collateral Manager or its affiliates will not be counted for any purposes. If CSS holds any Offered Securities, it will have no obligation to exercise any voting rights associated with such Offered Securities in any manner and, at any applicable time, may exercise such voting rights in a manner adverse to some or all of the other holders of Offered Securities.

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 Collateral Manager (or one of its affiliates) will be paid an up-front fee of U.S.$700,000. Furthermore, on the Closing Date, the Collateral Manager will be reimbursed for certain of its expenses by the Issuer.

CSS or its affiliates may act as a placement agent and/or initial purchaser in other transactions involving issues of collateralized debt obligations and other similar portfolios managed by other investment managers, and may provide financing for the accumulation of leveraged loans and high yield bonds that serve as collateral for such transactions. CSS is not obligated to pursue any particular investment opportunities available to the Issuer or the Collateral Manager, and may allocate investment opportunities among their various customer relationships, including the Issuer and the Collateral Manager, at its discretion. Such activities may have an adverse effect on the availability of Collateral Debt Securities for the Issuer.

The Collateral Manager and its affiliates may enter into, for their own account, or for other accounts for which they have investment discretion, credit swap agreements relating to entities that are issuers of Collateral Debt Securities held by the Issuer. The Collateral Manager and its affiliates and clients may also have equity and other investments in and may be lenders to, and may have other ongoing relationships with such entities. As a result, officers, key professionals and other employees of the Collateral Manager may possess information relating to the Collateral Debt Securities held by the Issuer that is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Debt Securities held by the Issuer and performing other obligations under the Collateral Management Agreement. 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 CDO Obligations 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 CDO Obligations.

Conflicts of Interest Involving the Sub-Advisor. Pursuant to the Sub-Advisory Agreement, the Sub-Advisor has been appointed to assist the Collateral Manager in selecting Collateral Debt Securities to be purchased by the Issuer on the Closing Date and to the end of the Substitution Period and in performing certain other advisory and administrative tasks for or on behalf of the Issuer. Under the Collateral Management Agreement, the Collateral Manager may, at the request of the Collateral Manager, receive assistance from the Sub-Advisor in identifying and selecting Collateral Debt Securities for acquisition by the Issuer, however any final decision as to the acquisition or disposition of any Collateral Debt Security shall be made by the Collateral Manager, in its sole discretion, subject to the limitations set forth in the Collateral Management Agreement and in the Indenture.

In addition, *provided* that the Sub-Advisor meets the eligibility requirements under the Collateral Management Agreement and except with respect to certain retained rights and obligations, if the Collateral Management Agreement is terminated for any reason, or if the Collateral Manager resigns or is terminated, then the Sub-Advisor will automatically assume the rights, title, interest and obligations of the Collateral Manager under the Collateral Management Agreement, without any further action on behalf of any person or entity. Therefore, by reason of its role under the Sub-Advisory Agreement, the Issuer will be subject to many of the same risks arising from conflicts of interest with respect to the Sub-Advisor of the types described above under "Risk Factors—Conflicts of Interest Involving the Collateral Manager".

The Sub-Advisor has agreed that it and/or an affiliate will purchase 14,000 Preference Shares having an aggregate liquidation preference of U.S.$14,000,000 on the Closing Date. Although the Sub-Advisor 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 Sub-Advisor an incentive to take actions that vary from the interests of the holders of the Notes.

A significant portion of the Collateral Debt Securities subject to the Warehouse Agreement were originally acquired by the Initial Purchaser from the Sub-Advisor, Bear Stearns High Grade Structured Credit Strategies LP (a hedge fund managed by the Sub-Advisor) or one of the Sub-Advisor's other affiliates or clients, and some of the Collateral Debt Securities subject to the Warehouse Agreement include securities issued by a fund or other entity owned or managed the Sub-Advisor. See "—Purchase of Collateral Debt Securities" below.

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 the

Sub-Advisor and held by Merrill Lynch International ("MLI"), an affiliate of the Initial Purchaser, pursuant to the Warehouse Agreement. A significant portion of the Collateral Debt Securities subject to the Warehouse Agreement may have been originally acquired by the Initial Purchaser from the Collateral Manager or the Sub-Advisor or one of their respective affiliates or clients, and some of the Collateral Debt Securities subject to the Warehouse Agreement include securities issued by a fund or other entity owned or managed by the Collateral Manager, the Sub-Advisor 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 (with advice, if applicable, from the Sub-Advisor) that such purchases are consistent with the investment guidelines of the Issuer, the restrictions contained in the Indenture, the Collateral Management Agreement, the Sub-Advisory 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 from time to time during the Ramp-Up Period to the extent there are Uninvested Proceeds, including from the issuance of the Class A-1 Notes, after the Closing Date. The purchase price payable for any Collateral Debt Security purchased by the Issuer pursuant to the Master Forward Sale Agreement will be the price determined at the time such Collateral Debt Security is purchased by MLI. Accordingly, the Issuer will bear the risk of market changes subsequent to the acquisition of such Collateral Debt Securities and related hedging arrangements as if it had acquired such Collateral Debt Securities directly at the time of purchase by MLI of such Collateral Debt Securities and not the date of acquisition.

If MLI or an affiliate of MLI that sold Collateral Debt Securities to the Issuer were to become the subject of a case or proceeding under the United States Bankruptcy Code or another applicable insolvency law, the trustee in bankruptcy or other liquidator could assert that such Collateral Debt Securities are property of the insolvency estate of such affiliate. Property that such affiliate had pledged or assigned, or in which such affiliate had granted a security interest, as collateral security for the payment or performance of an obligation, would be treated as property of the estate of such affiliate. Property that such affiliate had sold or absolutely assigned and transferred to another party, however, would not be property of the estate of such affiliate. The Issuer does not expect that the purchase by the Issuer of Collateral Debt Securities, under the circumstances contemplated by this Offering Circular, would be deemed to be a pledge or collateral assignment (as opposed to the sale or other absolute transfer) of such Collateral Debt Securities to the Issuer, 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. 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 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 August 7,

2006, Collateral Debt Securities having an aggregate Principal Balance plus 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.$300,000,000 (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 the issuance of the Class A-1 Notes).

Although the entire aggregate principal amount of the Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes will be advanced on the Closing Date, none of the aggregate principal amount of the Class A-1 Notes will be advanced on the Closing Date. Instead, the Class A-1 Notes will be issued on August 7, 2006 and the entire principal amount of the Class A-1 Notes will be advanced at such time.

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 the issuance and funding of the Class A-1 Notes after the Closing Date 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 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.

If the Issuer has succeeded in acquiring Collateral Debt Securities having an aggregate Principal Balance of U.S.$300,000,000 by the Ramp-Up Completion Date and the Issuer obtains 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, all Uninvested Proceeds remaining on the first Determination Date thereafter are required to be applied on the related Quarterly Distribution Date 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 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 not at least equal to U.S.$300,000,000 by the Ramp-Up Completion Date, all Uninvested Proceeds will be used to pay principal of the Notes.

Limited CDO of CDOs Experience; Dependence on the Collateral Manager, the Sub-Advisor and Key Personnel and Prior Investment Results. The Collateral Manager is experienced in the management of CDO vehicles investing primarily in leveraged loans and high yield bonds. Although the Collateral Manager has previous experience in the management and the structuring of CDO Obligations, the Collateral Manager currently manages only a single portfolio consisting primarily of CDO Obligations (which portfolio relates to a transaction that closed in April 2005). The nature of, and risks associated with, investments in CDO Obligations may differ substantially from the nature of, and risks associated with, investments in leveraged loans and high yield bonds. The performance of the portfolio of Collateral Debt Securities depends heavily on the skills of the Collateral Manager and the Sub-Advisor 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 the Sub-Advisor and certain of the officers and employees of the Collateral Manager and Sub-Advisor 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 and/or Sub-Advisor (as applicable) 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 or the Sub-Advisor may not continue to hold positions with the Collateral Manager or Sub-Advisor, as applicable, during the term of the Collateral Management Agreement or the Sub-Advisory Agreement (as the case may be), and additional personnel not identified to the Issuer or the holders of the Offered Securities may perform such functions. The prior investment results of the Collateral Manager or the Sub-Advisor or the persons associated with the Collateral Manager or the Sub-Advisor and 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 investments may differ substantially from the investments and risks 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. See "The Collateral Manager", "The Sub-Advisor" and "The Collateral Management Agreement and Sub-Advisory Agreement".

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, the Sub-Advisor 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, the Basis Swap 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, the Sub-Advisor, any Hedge Counterparty, the Basis Swap 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, the Sub-Advisor, each Hedge Counterparty, the Basis Swap 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.

Money Laundering Prevention. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (as amended, the "USA PATRIOT Act") requires financial institutions to establish and maintain anti-money laundering programs. Pursuant to this statute, on September 18, 2002, the Treasury Department published proposed regulations that will, if enacted, require all "unregistered investment companies" to establish and maintain an anti-money laundering program. The proposed regulations would require "unregistered investment companies" to: (a) establish and implement policies, procedures and internal controls reasonably designed to prevent the investment company from being used for money laundering or the financing of terrorist activities and to achieve compliance with applicable anti-money laundering regulations; (b) periodically "test" the required compliance program; (c) designate and train all responsible personnel; (d) designate an anti-money laundering compliance officer; and (e) file a written notice with the Treasury Department within 90 days of the effective date of the regulations that identifies certain information regarding the subject company, including the dollar amount of assets under company management and the number of interest holders in the subject company. As the proposed rule is currently drafted, an "unregistered investment company" includes any issuer that (i) would be an investment company but for the exclusion from registration provided for by Section 3(c)(1) or 3(c)(7) of the Investment Company Act, (ii) permits an owner to redeem his or her ownership interest within two years of the purchase of that interest, (iii) has total assets over $1,000,000 and (iv) is organized in the United States, is "organized, operated, or sponsored" by a U.S. person or sells ownership interests to a U.S. person. The Issuer will continue to monitor the developments with respect to the USA PATRIOT Act and, upon further clarification by the Treasury Department, will take all steps required to comply with the USA PATRIOT Act and regulations thereunder to the extent applicable to the Issuer. It is possible that other legislation or regulation could be promulgated which will require the Collateral Manager, the Sub-Advisor or other service providers to the Co-Issuers to share information with governmental authorities with respect to investors in the Offered Securities in connection with the establishment of anti-money laundering procedures or require the Issuer to implement additional restrictions on the transfer of the Offered Securities. The Issuer reserves the right to request such information as is necessary to verify the identity of the holder of an Offered Security and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by the Treasury Department or by any other governmental or self-regulatory agency. Legislation and/or regulations could require the Issuer to implement additional restrictions on the transfer of the Offered Securities. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of the Offered Securities and the subscription monies relating thereto may be refused.

The Issuer and the Administrator are subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Criminal Conduct Law (2005 Revision) (the "PCCL"). Pursuant to the PCCL the Cayman Islands government enacted The Money Laundering Regulations (2005 Revision), which impose specific requirements with respect to the obligation "to know your client". Except in relation to certain categories of institutional investors, the Issuer will require a detailed verification of each investor's identity and the source of the payment used by such investor for purchasing the Offered Securities in a manner similar to the obligations imposed under the laws of other major financial centers. In addition, if any person who is resident in the Cayman Islands knows or has a suspicion that a payment to the Issuer (by way of investment or otherwise) contains the proceeds of criminal conduct, that person must report such suspicion to the Cayman Islands authorities pursuant to the PCCL. If the Issuer were determined by the Cayman Islands government to be in violation of the PCCL or The Money Laundering Regulations (2005 Revision), the Issuer could be subject to substantial criminal penalties. Such a violation could materially adversely affect the timing and amount of payments by the Issuer to the holders of the Offered Securities.

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; (iii) the purchaser is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; and (iv) the purchaser will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Restricted Note (or any interest therein) (A) is a U.S. Person (within the meaning of Regulation S under the Securities Act) and (B) is not both a Qualified Institutional Buyer and also 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 any interest therein) to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Issuer, the Trustee, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or are the subject of widely distributed standard price quotations) to a person that certifies to the Trustee and the Co-

Issuers, in connection with such transfer, that such person is a both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

The Preference Share Documents provide that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of Preference Shares (A) is not a Qualified Institutional Buyer or (B) is a U.S. Person (within the meaning of Regulation S under the Securities Act) that is not a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Preference Shares to a person that is both (i) a Qualified Institutional Buyer and (ii) if a U.S. Person, a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Issuer, the Preference Share Paying Agent, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Preference Share to be transferred in a commercially reasonable sale (conducted by the Preference Share Paying Agent 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 are the subject of widely distributed standard price quotations) to a person that certifies to the Preference Share Paying Agent and the Issuer, in connection with such transfer, that such person is a both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Preference Share held by such beneficial owner.

Although the Issuer expects to be able to rely upon the exemption provided by Section 3(c)(7) under the Investment Company Act, one or more owners of Offered Securities may seek to rely on an exception from the definition of "investment company" and the requirement to register under the Investment Company Act that in turn depends, in part, upon the Issuer not being an investment company required to register under the Investment Company Act by reason of Rule 3a-7 thereunder. The Issuer intends to allow Preference Shares to be issued on the Closing Date to an entity that holds such Preference Shares for the benefit of an entity that is not a U.S. Person (as defined in Regulation S) and is purchasing its beneficial interest in such Preference Shares in an offshore transaction pursuant to Regulation S. The Issuer will issue such Preference Shares on the Closing Date even though such entity is not a Qualified Institutional Buyer. Rule 3a-7 under the Investment Company Act requires that securities that are not-fixed income securities and that are not rated, such as the Preference Shares, must be purchased by Qualified Institutional Buyers. At least one legal commentator has stated that the legal staff of the SEC has orally confirmed that an offering by a non-U.S. issuer of such securities may be made to non-U.S. Persons in compliance with Rule 3a-7 even though they do not meet the Qualified Institutional Buyer requirement. The Issuer is not aware of any formal guidance from the SEC, and has not sought any legal advice, as to this issue. Accordingly, any investor in Offered Securities seeking to rely on Rule 3a-7 should consider whether Rule 3a-7 would apply to the Issuer given this fact. It is expected that in the near future the SEC may consider the applicability of Rule 3a-7 to entities such as the Issuer. If it were determined that the Issuer cannot rely on Rule 3a-7, the Collateral Manager may cause the Issuer to amend the Indenture without the consent of the Holders of the Notes (unless they would be adversely affected thereby) and without the consent of the Holders of the Preference Shares (whether or not they would be adversely affected thereby) to enable the Issuer to rely on Rule 3a-7 as described herein, which could require additional limitations and prohibitions on the circumstances under which the Issuer may sell assets, on the type of assets that the Issuer may acquire out of the proceeds of assets that mature, are refinanced or otherwise sold, on the period during which such transactions may occur, on the level of transactions that may occur or on other provisions of the Indenture and could adversely affect the earnings of the Issuer and its ability to make payments on the Offered Securities and distributions to the Preference Shares.

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 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, 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, in each case in accordance with the Priority of Payments, to the repayment of principal of *first,* the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes and *fifth*, the Class D Notes,

including any Class D Deferred Interest, in each case 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, the Basis Swap Agreement and the Cashflow Swap Agreement will terminate upon an Auction Call Redemption.

Optional Redemption. Subject to satisfaction of certain conditions, a Majority-in-Interest of Preference Shareholders may require that the 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 May, 2010. Each Hedge Agreement, the Basis Swap Agreement and the Cashflow Swap Agreement will terminate upon any Optional Redemption.

Tax Redemption. Subject to satisfaction of certain conditions, upon the occurrence of a Tax Event, the Issuer may redeem the Notes (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, the Basis Swap Agreement and the Cashflow Swap Agreement will terminate upon any 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 could be an interest rate or basis mismatch between the interest payable on the Collateral Debt Securities held by the Issuer, on the one hand, and interest payable on the Notes, on the other hand. Moreover, as a result of such mismatches, an increase or decrease in the level or levels of the floating rate indices could adversely impact the Issuer's ability to make payments on the Notes or distributions in respect of the Preference Shares.

The Notes are denominated in Dollars and the 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 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 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). 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".

Up Front Payment. The Basis Swap Agreement in effect on the Closing Date will provide that the Basis Swap Counterparty make an Up Front Payment of U.S.$7,585,000 on the Closing Date to the Issuer. The payments to be made by the Issuer to the Basis Swap Counterparty under the Basis Swap Agreement 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 Agreement 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 Agreement, 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.

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 CDO Obligations 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".

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 or Written Down Securities. 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 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, Written Down Securities 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, Written Down Security or Credit Risk Security at any time. A Credit Risk Security or a Credit Improved Security may be sold and the sale proceeds thereof reinvested in Collateral Debt Securities during the Substitution Period subject to the limitations described in "Security for the Notes—Dispositions of Collateral Debt Securities".

Although, procedures relating to the sale of Defaulted Securities, Credit Improved Securities, Credit Risk Securities, Deferred Interest PIK Bonds, Written Down Securities, 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.

Taxes on the Issuer. The Issuer expects to conduct its activities so that its income generally will not be subject to net income taxation. The Issuer also expects that payments received on the Collateral Debt Securities, Eligible Investments, each Hedge Agreement, the Basis Swap Agreement and each Cashflow Swap Agreement generally will not be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. See "Income Tax Considerations". The Issuer's income, however, might become subject to net income or withholding tax due to a change in law 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 and interest on the Notes and make distributions in respect of the Preference Shares.

Withholding on the Notes and Preference Shares. The Issuer expects that payments of principal and interest on the Notes and of distributions and returns 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". If withholding or deduction of any taxes is required by law in any jurisdiction, neither Co-Issuer 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 Holders of Class D Notes and Preference Shares. Because the Issuer will be a passive foreign investment company, a U.S. person holding Preference Shares may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income whether or not distributed. The Issuer also may be a controlled foreign corporation, in which case U.S. persons holding Preference Shares could be subject to different tax treatments. Prospective purchasers of the Preference Shares should be aware that income

of the Issuer may significantly exceed the Issuer's distributions on the Preference Shares due to the Issuer holding Collateral Debt Securities with original issue discount or market discount, the Issuer using income to prepay principal on the Notes or other causes, and that a U.S. shareholder therefore may owe tax on significant "phantom income." See "Income Tax Considerations".

The Issuer intends to treat the Class D Notes, and the Indenture requires that holders agree to treat the Class D Notes, as debt for U.S. Federal, state and local income and franchise tax purposes. The U.S. Internal Revenue Service may challenge the treatment of the Class D Notes, as debt of the Issuer. If such a challenge were successful, the Class D Notes would be treated as equity interests in the Issuer, and the U.S. Federal income tax consequences of investing in the Class D Notes, would be the same as those of having invested in the Preference Shares without making an election to treat the Issuer as a qualified electing fund. See "Income Tax Considerations".

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 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 all Preference Shares (excluding 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. 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, a plan subject to Section 4975 of the Code, an entity that is deemed to hold the assets of any such plan pursuant to 29 C.F.R. Section 2510.3-101 which plan or entity is subject to Title I of ERISA or Section 4975 of the Code, or a governmental or church plan 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.

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 Sub-Advisor 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 Basis Swap 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, the Basis Swap 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 Purchase Agreement, the Investor Application Forms, the Account Control Agreement, the Preference Share Paying Agency Agreement, each Hedge Agreement, the Basis Swap 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 Sub-Advisory 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, the creation of this Offering Circular, the final Offering Circular and any supplements thereto, the issuance, if requested by the Sub-Advisor, of a promissory note evidencing the Sub-Advisor's right to receive all Sub-Advisory Fees (including Sub-Advisory Fees that become due and payable after any termination of the Sub-Advisory Agreement) as and when the same become due and payable under the Indenture, 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 incorporated 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 Corporation Service Company, 1133 Avenue of the Americas, Suite 3100, New York, NY 10036 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 and collateral management fees and advisory fees payable to the Collateral Manager, fees payable to the Sub-Advisor, fees of the Conflicts Review Board 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, the Sub-Advisor and the Initial Purchaser make any representation as to the proper characterization of the Offered Securities for legal investment or other purposes, as to the ability of particular investors to purchase Offered Securities for legal investment or other purposes or as to the ability of particular investors to purchase Offered Securities under applicable investment restrictions. All institutions the activities of which are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult their own legal advisors in determining whether and to what extent the Offered Securities are subject to investment, capital or other restrictions. Without limiting the generality of the foregoing, none of the Issuer, the Co-Issuer, the Collateral Manager, the Sub-Advisor and the Initial Purchaser makes any representation as to the characterization of the Offered Securities as a U.S.-domestic or foreign (non-U.S.) investment under any state insurance code or related regulations, and they are not aware of any published precedent that addresses such characterization. Although they are not making any such representation, the Co-Issuers understand that the New York State Insurance Department, in response to a request for guidance, has been considering the characterization (as U.S.-domestic or foreign (non-U.S.)) of certain collateralized debt obligation securities co-issued by a non-U.S. issuer and a U.S. co-issuer. There can be no assurance as to the nature of any advice or other action that may result from such consideration. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristics of the Offered Securities) may affect the liquidity of the Offered Securities.

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 Notes. 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 will not be subject to the InvStG.

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

DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to the Indenture. The following summary describes certain provisions of the Notes and the Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. Copies of the Indenture may be obtained by prospective investors upon request to the Trustee at 181 West Madison Street, 32nd Floor, Chicago, Illinois 60602, Attention: CDO Trust Services Group – Class V Funding II or, if and for so long as any Notes are listed on the Irish Stock Exchange, to the Irish Paying Agent at NCB Stockbrokers Limited, 3 George's Dock, International Financial Services Centre, Dublin 1 Ireland.

Status and Security

The Notes will be limited-recourse debt obligations of the Co-Issuers. All of the Class A-1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves, all of the Class C Notes are entitled to receive payments *pari passu* among themselves and all of the Class D Notes are entitled to receive payments *pari passu* among themselves. Except as otherwise described in the Priority of Payments in connection with a failure to satisfy a Class D Coverage Test, following a Rating Confirmation Failure or during a Sequential Pay Period and on any Quarterly Distribution Date on which the Preference Shareholders receive an annualized Dividend Yield of 19.5% per annum, the relative order of seniority of payment of each Class of Notes on each Quarterly Distribution Date is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, Class C Notes and *fifth*, Class D Notes, with (a) each Class of Notes (other than the Class D Notes) in such list being "Senior" to each other Class of Notes that follows such Class of Notes in such list and (b) each Class of Notes (other than the Class A-1 Notes) in such list being "Subordinate" to each other Class of Notes that precedes such Class of Notes in such list. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on each Class of Notes that is Senior to such Class and that remain outstanding has been paid in full. Other than (x) during a period that is not a Sequential Pay Period, (y) on any Quarterly Distribution Date on which the Preference Shareholders receive an annualized Dividend Yield of 19.5% per annum or (z) in connection with a failure to satisfy a Class D Coverage Test, no payment of principal of any Class of Notes will be made until all principal of, and all accrued and unpaid interest 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".

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

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

Drawdown

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

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

Class A-1 Notes

None of the Class A-1 Notes will be issued on the Closing Date and none of the principal amount of the Class A-1 Notes will be advanced on the Closing Date. Notwithstanding any other statements in this Offering Circular to the contrary, on August 7, 2006, the Co-Issuers shall sell to the Initial Purchaser, and the Initial Purchaser shall purchase from the Co-Issuers, at a purchase price of 100% of the principal amount thereof on such date, the entire aggregate principal

amount of the Class A-1 Notes. The Initial Purchaser may require that the Class A-1 Notes be issued as contemplated by the Auction Rate Agency and Amending Agreement through the issuance of beneficial interests in such Class A-1 Notes to the bidders that submit winning bids in the first Class A-1 Auction conducted under the Auction Rate Agency and Amending Agreement with respect to the Class A-1 Notes. The Initial Purchaser's obligation to effect such purchase shall, subject to the consummation of the purchase by the Initial Purchaser of the other Notes on the Closing Date, be absolute and unconditional unless an Event of Default shall have occurred and is continuing, an Optional Redemption or Tax Redemption shall occur prior to the date of such purchase or the Trustee shall have commenced a liquidation of the Collateral. A certificate or certificates evidencing the Class A-1 Notes shall be delivered to the Depository on the Closing Date as otherwise contemplated hereby and by the Indenture, but the Class A-1 Notes will not be issued for purposes of the Indenture, and will not evidence any indebtedness of the Co-Issuers, until they are paid for as contemplated in this paragraph. Payment for the Class A-1 Notes being issued and purchased on August 7, 2006 shall be made by the Initial Purchaser as provided in the Auction Rate Agency and Amending Agreement. In the event the Initial Purchaser fails to purchase the Class A-1 Notes, and the Co-Issuers are otherwise unable to issue or fund such Class A-1 Notes, 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.

Interest

The Class A-1 Notes will bear interest at a floating rate per annum equal to LIBOR plus a floating spread not to exceed 0.95% (as described in the Class A-1 Notes Supplement and including payment of certain other amounts described therein). The Class A-2A Notes will bear interest at a floating rate per annum equal to LIBOR plus a floating spread not to exceed 0.95% (as described in the Class A-2 Notes Supplement and including payment of certain other amounts described therein). The Class A-2B Notes will bear interest at a floating rate per annum equal to LIBOR plus a floating spread not to exceed 0.95% (as described in the Class A-2 Notes Supplement and including payment of certain other amounts described therein). The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.70%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.90%. The Class D Notes will bear interest at a floating rate per annum equal to LIBOR plus 4.00%. Interest on the Notes and interest on Defaulted Interest 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 the Class A-1 Notes, from the date of issuance and funding after the Closing Date). 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 21, May 21, August 21 and November 21, commencing August 21, 2006 (each a "Quarterly Distribution Date"), *provided* that, (a) the final Quarterly Distribution Date with respect to the Notes shall be May 21, 2046, 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 next precedes such Quarterly Distribution Date. In addition, the Issuer will enter into the Basis Swap Agreement in order to finance periodic payments of interest on the Class A-1 Notes, the Class A-2A Notes and the Class A-2B Notes on dates other than each Quarterly Distribution Dates, as described in the Class A-1 Notes Supplement, in the case of the Class A-1 Notes, and the Class A-2 Notes Supplement, in the case of the Class A-2A Notes and the Class A-2B Notes.

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"); *provided* that, no accrued interest on the Class D Notes shall become Class D Deferred Interest unless a more Senior Class of Notes is then outstanding.

Any Class D Deferred Interest will be added to the aggregate outstanding principal amount of the Class D Notes and thereafter interest will accrue on the aggregate outstanding principal amount of such Class of Notes, as so increased.

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

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 which is not punctually paid or duly provided for on the applicable Quarterly Distribution Date or at Stated Maturity and which remains unpaid. Class D Deferred Interest will not constitute Defaulted Interest.

Definitions

"Interest Period" means (a) in the case of the initial Interest Period, the period from, and including, the Closing Date to, but excluding, the first Quarterly Distribution Date, and (b) thereafter, the period from, and including, the Quarterly Distribution Date immediately following the last day of the immediately preceding Interest Period to, but excluding, the next succeeding Quarterly Distribution Date, *provided* that (x) with respect to the Class A-1 Notes, (i) the initial Interest Period shall commence on and include the date of funding thereof, (ii) so long as no Class A-1 Auction Termination Date has occurred, each Interest Period shall end on, but exclude, each Auction Rate Distribution Date and (other than in the case of the initial Interest Period) shall commence on, and include, the Auction Rate Distribution Date immediately following the last day of the immediately preceding Interest Period and (iii) if a Class A-1 Auction Termination Date does occur, the Interest Period during which such Class A-1 Auction Termination Date occurs will end on, but exclude, the next succeeding Quarterly Distribution Date, (y) with respect to the Class A-2A Notes, (i) so long as no Class A-2A Auction Termination Date has occurred, each Interest Period shall end on, but exclude, each Auction Rate Distribution Date and (other than in the case of the initial Interest Period) shall commence on, and include, the Auction Rate Distribution Date immediately following the last day of the immediately preceding Interest Period and (ii) if a Class A-2A Auction Termination Date does occur, the Interest Period during which such Class A-2A Auction Termination Date occurs will end on, but exclude, the next succeeding Quarterly Distribution Date and (z) with respect to the Class A-2B Notes, (i) so long as no Class A-2B Auction Termination Date has occurred, each Interest Period shall end on, but exclude, each Auction Rate Distribution Date and (other than in the case of the initial Interest Period) shall commence on, and include, the Auction Rate Distribution Date immediately following the last day of the immediately preceding Interest Period and (ii) if a Class A-2B Auction Termination Date does occur, the Interest Period during which such Class A-2B Auction Termination Date occurs will end on, but exclude, the next succeeding 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 Notes will be set on May 16, 2006 and is expected to be approximately 5.15%):

(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, three or six months LIBOR shall be determined through the use of straight-line interpolation by reference to two rates calculated in accordance with clauses (i) and (ii) above, one of which shall be determined as if the maturity of the Dollar deposits referred to therein were the period of time for which rates are available 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:

"Auction Rate Distribution Date" means (i) with respect to the Class A-1 Notes, the 24th of each calendar month, (ii) with respect to the Class A-2A Notes, the 25th of each calendar month and (iii) with respect to the Class A-2B Notes, the 27th day of each calendar month, *provided* that, (a) if an Auction Rate Distribution Date would otherwise fall on a day that is not a Business Day, the relevant Auction Rate Distribution Date will be the first following day that is a Business Day and (b) the first Auction Rate Distribution Date shall be on August 7, 2006 and the second Auction Rate Distribution Date shall be on the applicable date listed in clause (a) in September 2006 and (c) assuming a Class A-1 Auction Termination Date, a Class A-2A Auction Termination Date and a Class A-2B Auction Termination Date do not occur, the last Auction Rate Distribution Date shall be the last such date occurring prior to the earlier of the Maturity Date and the related Auction Termination Date.

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

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

"Designated Maturity" means (a) in the case of the initial Interest Period, the number of days during the period from, and including, the Closing Date to, but excluding, the first Quarterly Distribution Date, (b) thereafter until the final Interest Period, three months and (c) in the case of the final Interest Period, the number of days during the period from and including the first day of such Interest Period to, but excluding, the Stated Maturity of the Notes, *provided* that (x) with respect to the Class A-1 Notes, (i) the Designated Maturity for the initial Interest Period shall be the number of days during

such Interest Period, (ii) so long as no Class A-1 Auction Termination Date has occurred, the Designated Maturity for each subsequent Interest Period prior to the final Interest Period shall be one month and (iii) if a Class A-1 Auction Termination Date does occur, the Designated Maturity for the Interest Period during which such Class A-1 Auction Termination Date occurs will be the number of days during such Interest Period, (y) with respect to the Class A-2A Notes, (i) the Designated Maturity for the initial Interest Period shall be the number of days during such Interest Period, (ii) so long as no Class A-2A Auction Termination Date has occurred, the Designated Maturity for each subsequent Interest Period prior to the final Interest Period shall be one month and (iii) if a Class A-2A Auction Termination Date does occur, the Designated Maturity for the Interest Period during which such Class A-2A Auction Termination Date occurs will be the number of days during such Interest Period and (z) with respect to the Class A-2B Notes, (i) the Designated Maturity for the initial Interest Period shall be the number of days during such Interest Period, (ii) so long as no Class A-2B Auction Termination Date has occurred, the Designated Maturity for each subsequent Interest Period prior to the final Interest Period shall be one month and (iii) if a Class A-2B Auction Termination Date does occur, the Designated Maturity for the Interest Period during which such Class A-2B Auction Termination Date occurs will be the number of days during such Interest Period.

"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 U.S. Dollar certificates of deposit, selected by the Calculation Agent.

For so long as any Note remains outstanding, the Co-Issuers will at all times maintain an agent appointed to calculate LIBOR in respect of each Interest Period. As soon as possible after 11:00 a.m. (London time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each LIBOR Determination Date, the Calculation Agent will calculate the interest rate for the Notes for the related Interest Period and the amount of interest for such Interest Period payable in respect of each 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 Basis Swap Counterparty, the Cashflow Swap Counterparty, each Paying Agent (other than the Preference Share Paying Agent), the Depository, Euroclear and Clearstream, Luxembourg and, for so long as any Notes are listed on the Irish Stock Exchange, the Irish Paying Agent.

The Calculation Agent may be removed by the Co-Issuers at any time. If the Calculation Agent is unable or unwilling to act as such, is removed by the Co-Issuers or fails to determine the interest rate for any Class of 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.

Principal

The Stated Maturity of the Notes is May 21, 2046. 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. The Trustee shall, so long as any Class of Notes are listed on the Irish Stock Exchange, notify the Irish Listing Agent for notification to the Irish Stock Exchange not later than one Business Day preceding each Quarterly Distribution Date of the amount of principal payments to be made on the Notes of each such Class on such Quarterly Distribution Date, the amount of any Class D Deferred Interest, if any, the aggregate outstanding principal amount of the Notes of each such Class and the percentage of the original aggregate outstanding principal amount of the Notes of such Class after giving effect to the principal payments, if any, on such Quarterly Distribution Date.

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 May 21, 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 equal to or greater than 500 and (e) the date on which the rating of (i) any of the Class A-1 Notes, Class A-2 Notes or Class B 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 C Notes or Class D 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 Moody's.

During the Substitution Period, Specified Principal Proceeds will be applied to pay principal of the Notes in accordance with the Priority of Payments. "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, Written Down Security, Equity Security, Deferred Interest PIK Bond or Deliverable Obligation that is a Defaulted Security made since such security became a Defaulted Security, Written Down Security, Equity 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 (*provided* that, for the purposes of this subclause (ii), the par amount with respect to a Written Down Security shall be deemed to be the original par amount thereof, and not the written-down amount thereof) and (iii) all Sale Proceeds (other than accrued interest treated as Interest Proceeds included therein) from Credit Risk Securities, Credit Improved Securities and other Collateral Debt Securities that were not reinvested in accordance with the Indenture. 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, (c) for the payment of Class D Deferred Interest and (d) in the case of the Class D Notes, if on any Quarterly Distribution Date the Preference Shareholders have received an annualized Dividend Yield of 19.5% per annum, from Interest Proceeds as provided in clause (15) under the heading "Description of the Notes—Priority of Payments—Interest Proceeds".

Substitution Period

Any Credit Risk Security may be sold during the Substitution Period and Sale Proceeds (other than accrued interest treated as Interest Proceeds included therein) therefrom may be reinvested in substitute Collateral Debt Securities in compliance with the Eligibility Criteria (other than the requirement of clause (30) thereof relating to the Standard & Poor's CDO Monitor Test) within 30 Business Days from the date of such sale, but only if the aggregate Principal Balance of all such substitute Collateral Debt Securities is not less than the Sale Proceeds (net of any accrued interest treated as Principal Proceeds included herein) from such sale; *provided* that, the Collateral Manager may choose not to apply such Sale Proceeds to purchase any substitute Collateral Debt Securities.

Any Credit Improved Security may be sold *provided* that, (A) during the Substitution Period, a Credit Improved Security may be sold only if, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), the resulting Sale Proceeds thereof (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 and (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 such Principal Balance of the Credit Improved Security, (B) after the last day of the Substitution Period, a 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 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 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.

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 also be made on the dates and in the amounts set forth in the Class A-1 Notes Supplement, and mandatory redemptions of the Class A-2A Notes and the Class A-2B Notes shall also be made on the dates and in the amounts set forth in the Class A-2 Notes Supplement.

The Issuer will notify the Trustee, each Rating Agency, each Hedge Counterparty, the Basis Swap Counterparty and the Cashflow Swap Counterparty in writing within five 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-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes and, *fifth*, the Class D Notes, including any Class D Deferred Interest, in each case to the extent necessary to obtain a Rating Confirmation from each Rating Agency.

If on any Quarterly Distribution Date the Preference Shareholders have received an annualized Dividend Yield of 19.5% per annum and the Class D Notes have not been redeemed, Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied to pay principal of the Class D Notes, until the Class D Notes have been paid in full.

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 if, on or 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 Sub-Advisor, 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 (which may be divided into up to eight subpools) to the highest bidder therefor (or the highest bidder for each subpool) at the Auction *provided* that:

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

(ii) the Trustee has received bids for 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;

(iii) the Trustee has determined that the highest auction price would result in sale proceeds from all of such Collateral Debt Securities (or the related subpools constituting all of such Collateral Debt Securities) which, together with the balance of all Eligible Investments and cash in the Accounts (other than in any Hedge Counterparty Collateral Account, the Cashflow Swap Agreement Collateral Account, any Synthetic Security Issuer Account and any Synthetic Security Counterparty Account) would be at least equal to the Total Senior Redemption Amount; and

(iv) 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 (iii) above are satisfied, which execution shall constitute certification by the Issuer that such conditions have been satisfied) that obligates the highest bidder (or the highest bidder for each subpool) to purchase all of 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 following the relevant Auction Date.

Provided that all of the conditions set forth in clauses (i) through (iv) have been met, the Trustee shall sell and transfer the Pledged Collateral Debt Securities (or the related subpool), without representation, warranty or recourse, to such highest bidder (or the highest bidder for each subpool, as the case may be) in accordance with and upon completion of the Auction Procedures. The Trustee shall deposit the net proceeds from the sale of such Collateral Debt Securities in the Collection Accounts and apply such funds, together with the balance of all Eligible Investments and cash in the Accounts specified above to (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 any of the foregoing conditions is not met with respect to any Auction or if the highest bidder (or the highest bidder for any subpool, as the case may be) fails to pay the purchase price on or before the sixth Business Day following the relevant Auction 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 Basis Swap Counterparty, the Cashflow Swap Counterparty, the Auction Rate Agent and the holders of the Notes, (c) subject to clause (d) below, the Trustee shall decline to consummate such sale and shall not solicit any further bids or otherwise negotiate any further sale of Collateral Debt Securities in relation to such Auction and (d) unless the Notes are redeemed in full prior to the next succeeding Auction Date, the Trustee shall conduct another Auction on the next succeeding Auction Date.

Optional Redemption and Tax Redemption

Subject to certain conditions described herein, the Issuer may redeem the 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 May 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 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 10 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 Basis Swap Counterparty, the Cashflow Swap Counterparty, the Auction Rate 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, direct the Irish Paying Agent to (i) cause notice of such Auction Call Redemption, Optional Redemption or Tax Redemption to be delivered to the Company Announcements Office of the Irish Stock Exchange not less than 10 Business Days prior to the Redemption Date and (ii) promptly notify the Irish Stock Exchange of such Auction Call Redemption, Optional Redemption or Tax Redemption. Notes must be surrendered at the offices 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, Auction Call 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, the Basis Swap 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 a financial institution or institutions (which may include the Collateral Manager, the Sub-Advisor or their respective affiliates) whose long-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating from each Rating Agency at least equal to the rating of the highest rated Notes then outstanding or whose short-term unsecured debt obligations have a credit rating of "P-1" by Moody's (and, if rated "P-1", are not on watch for possible downgrade by Moody's) and, "A-1" by Standard & Poor's to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, all or part of the Collateral Debt Securities at a purchase price that, when added to any other Sale Proceeds in respect of Synthetic Securities and all cash and Eligible Investments maturing on or prior to the scheduled Redemption Date credited to each Account (other than the Custodial Account, any Synthetic Security Counterparty Account, any Synthetic Security Issuer Account, any Hedge Counterparty Collateral Account or the Cashflow Swap Counterparty Collateral 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, the Sub-Advisor, each Hedge Counterparty, the Basis Swap Counterparty, the Cashflow Swap Counterparty, the Auction Rate 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, the Basis Swap Agreement or the Cashflow Swap Agreement and if any Hedge Agreement, the Basis Swap Agreement or the 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, a replacement Basis Swap Agreement for the terminated Basis Swap 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 Auction Rate Agent, each Hedge Counterparty, the Basis Swap 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, and the redemption of the Class A-2A Notes and the Class A-2B Notes shall occur on the date and at the Redemption Price set forth in the Class A-2 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) being redeemed plus (ii) accrued interest thereon (including Defaulted Interest and accrued, unpaid and uncapitalized interest on Defaulted Interest, if any); *provided* that, in the case of a Tax Redemption where an Affected Class of 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 or interest on any Note will be made to the person in whose name such Note is registered fifteen days prior to the applicable Quarterly Distribution Date (the "Record Date"). Payments on each Note will be payable by wire transfer in immediately available funds to a Dollar account maintained by the holder thereof in accordance with wire transfer instructions received by any paying agent appointed under the Indenture (each, a "Paying Agent") on or before the Record Date or, if no wire transfer instructions are received by a Paying Agent in respect of such Note, by a Dollar check drawn on a bank in the United States mailed to the address of the holder of such Note as it appears on the Note Register at the close of business on the Record Date for such payment. 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 with the same force and effect as if made on the date for payment. For this purpose, "Business Day" means a day on which commercial banks and (if applicable) foreign exchange markets settle payments in each of New York, New York and any other city in which the corporate trust office of the Trustee is located and, in the case of the final payment of principal of any Note, the place of presentation of such Note. To the extent action is required of the Issuer that has not been delegated to the Trustee, the Collateral Manager or any other agent of the Issuer located outside of the Cayman Islands, the Cayman Islands shall be considered in determining whether a day is a "Business Day" for purposes of determining when such Issuer action is required. To the extent action is required of the Irish Paying Agent, Dublin, Ireland shall be considered in determining whether a day is a "Business Day" for purposes of determining when such Irish Paying Agent action is required. For so long as any Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, the Co-Issuers will maintain a listing agent and a Paying Agent with an office in Ireland.

Except as otherwise required by applicable law, any money deposited with the Trustee or any Paying Agent in trust for the payment of principal of or interest 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 applied in the order of priority set forth below:

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

(2) (a) *first*, to the payment to the Trustee, the Preference Share Paying Agent and the Collateral Administrator for accrued and unpaid fees and expenses for services provided under the Indenture, the Preference Share Paying Agency Agreement and the Collateral Administration Agreement in an amount not to exceed 0.008125% of the average of the Net Outstanding Portfolio Collateral Balance on the first and the last day of such Due Period (subject to a minimum of U.S.$6,250), (b) *second*, in the following order, to the Trustee, the Collateral Administrator, the Preference Share Paying Agent, the Paying Agents, the Note Registrar, the Rating Agencies, the Administrator, Preference Share Registrar, the Collateral Manager, the Sub-Advisor, the Conflicts Review Board, the Auction Rate Agent and any other person in respect of other accrued and unpaid administrative expenses (including amounts payable pursuant to any indemnity, but excluding amounts payable pursuant to subclauses (3), (12) and (14) below) owing to them under the Indenture, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement, the Administration Agreement, the Collateral Management Agreement, the Auction Rate Agency and Amending Agreement and the Sub-Advisory Agreement, as applicable; (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) , (b) and (c) above, *provided* that, all payments made pursuant to subclauses (b), (c) and (d) of this clause (2) do not exceed on such Quarterly Distribution Date U.S.$75,000 for such Due Period; and (e) *fifth*, if the balance of all Eligible Investments and cash in the Expense Account on the related Determination Date is less than U.S.$75,000, for deposit into the Expense Account an amount equal to the lesser of (x) the amount by which U.S.$75,000 exceeds the aggregate amount of payments made under subclauses (b), (c) and (d) 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.$75,000;

(3) (a) to the payment to the Collateral Manager of accrued and unpaid Senior Management Fee and (b) to the payment to the Sub-Advisor of accrued and unpaid Senior Sub-Advisory Fee, *pro rata*;

(4) to the payment of all amounts scheduled to be paid to each Hedge Counterparty pursuant to each Hedge Agreement (other than in the case of any Cashflow Swap Agreement, amounts payable pursuant to clause (6) below), 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);

(5) to the payment of the Interest Distribution Amount with respect to *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *pro rata, third*, the Class B Notes and *fourth*, the Class C Notes;

(6) to the payment to the Cashflow Swap Counterparty of *first*, the Class A-1 Reimbursement Amount, *second*, the Class A-2 Reimbursement Amount, *third*, Class B Reimbursement Amount and *fourth*, 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 Note, Class B Note or Class C Note remains outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *pro rata*, *third*, the Class B Notes and *fourth*, 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) commencing 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-1 Notes, *second*, the Class A-2 Notes, *pro rata*, *third*, the Class B Notes and *fourth*, the Class C Notes, to the extent necessary in order to obtain a Rating Confirmation with respect to the Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes;

(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 such Determination Date and if any Class D Notes remain outstanding, to the payment of principal of *first*, the Class D Notes (including any Class D Deferred Interest), *second*, the Class C Notes, *third*, the Class B Notes, *fourth*, the Class A-2 Notes, *pro rata* and *fifth*, the Class A-1 Notes until each of the Class D Coverage Tests is satisfied or each such Class is paid in full and (b) commencing 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 the Class D Notes (including any Class D Deferred Interest) to the extent necessary in order to obtain a Rating Confirmation with respect to the Class D Notes;

(10) to the payment of any Class D Deferred Interest;

(11) 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, but excluding amounts payable pursuant to subclauses (12) and (14) below) in the same order of priority specified in subclauses (2)(b) through (2)(e) above;

(12) to the payment to the Collateral Manager of accrued and unpaid Subordinate Management Fee and to the Sub-Advisor of accrued and unpaid Subordinate Sub-Advisory Fee, *pro rata*;

(13) to the payment of any termination payments by the Issuer to each Hedge Counterparty pursuant to each Hedge Agreement but only to the extent that (x) such termination payments are not paid pursuant to paragraph (4) above and (y) the Issuer is unable to, or determines not to, replace the terminated Hedge Agreement;

(14) to the payment to the Collateral Manager of the Incentive Management Fee (if any) and to the Sub-Advisor of accrued and unpaid Incentive Sub-Advisory Fee (if any), *pro rata*;

(15) to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount up to the amount necessary to achieve a Dividend Yield of 19.5% per annum on such Quarterly Distribution Date;

(16) to the payment of principal of the Class D Notes (including Class D Deferred Interest) until such Class has been paid in full; 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:

(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 (x) Uninvested Proceeds and (y) Interest Proceeds pursuant to clauses (7) and (9) under "Priority of Payments—Interest Proceeds" above, (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 such Determination Date and if any Class A Note, Class B Note or Class C Note remains outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *pro rata*, *third*, the Class B Notes and *fourth*, the Class C Notes until each of the Class A/B/C Coverage Tests is satisfied or each such Class is paid in full; (b) 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 such Determination Date and if any Class A Note, Class B Note or Class C Note remains outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *pro rata*, *third*, the Class B Notes, *fourth*, the Class C Notes and *fifth*, the Class D Notes until each such Class D Coverage Test is satisfied or each such Class is paid in full and (c) commencing on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, to the payment of principal of *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *pro rata*, *third*, the Class B Notes and *fourth*, the Class C Notes, to the extent necessary in order to obtain a Rating Confirmation with respect to the Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes;

(3) (a) for each Quarterly Distribution Date in respect of which the related Determination Date occurs (x) during the Substitution Period and (y) during the Sequential Pay Period, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *pro rata*, *third*, the Class B Notes, and *fourth*, the Class C Notes, in each case, until each such Class of Notes is paid in full; *provided* that, amounts applied for payment under this subclause (a) shall not exceed an amount equal to the Specified Principal Proceeds with respect to the related Due Period; and (b) for each Quarterly Distribution Date in respect of which the related Determination Date occurs (x) after the last day of the Substitution Period and (y) during the Sequential Pay Period, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *pro rata*, *third*, the Class B Notes, and *fourth*, the Class C Notes, in each case, until such Class is paid in full;

(4) (a) for each Quarterly Distribution Date in respect of which the related Determination Date (x) occurs during the Substitution Period and (y) does not occur during the Sequential Pay Period, to the payment of principal *pro rata* of the Class A-1 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 for such Quarterly Distribution Date; *provided* that, amounts applied for payment under this subclause (a) shall not exceed an amount equal to the Specified Principal Proceeds with

respect to the related Due Period; and (b) for each Quarterly Distribution Date in respect of which the related Determination Date (x) occurs after the last day of the Substitution Period and (y) does not occur during the Sequential Pay Period, to the payment of principal *pro rata* of the Class A-1 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 for such Quarterly Distribution Date;

(5) to the payment of the amounts referred to in paragraphs (8) and (10) 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; *provided* that, amounts applied for payment under this clause (5) and clauses (3)(a) and (4)(a) under "Priority of Payments—Principal Proceeds" above shall not exceed an amount equal to the Specified Principal Proceeds with respect to the related Due Period for any Quarterly Distribution Date in respect of which the related Determination Date occurs during the Substitution Period;

(6) to the payment of principal of the Class D Notes (including Class D Deferred Interest) until the Class D Notes have been paid in full; *provided* that, amounts applied for payment under this clause (6) and clauses (3)(a), (4)(a) and (5) under "Priority of Payments—Principal Proceeds" above shall not exceed an amount equal to the Specified Principal Proceeds with respect to the related Due Period for any Quarterly Distribution Date in respect of which the related Determination Date occurs during the Substitution Period;

(7) for each Quarterly Distribution Date in respect of which the related Determination Date occurs during the Substitution Period, to make a transfer to the Principal Collection Account, to remain available for application to the purchase of substitute Collateral Debt Securities (subject to satisfaction of the Eligibility Criteria) by no 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 (not including Specified Principal Proceeds) received during the related Due Period (after giving effect to any payments pursuant to clauses (1) through (6) above);

(8) to the payment of amounts referred to in clauses (11), (12), (13) and (14) under "Priority of Payments—Interest Proceeds" in the same order of priority therein, but only to the extent not paid in full thereunder; and

(9) 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.

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 (15) and (17) of the "Priority of Payments—Interest Proceeds" or clause (9) of the "Priority of Payments—Principal Proceeds" will be released from the lien of the Indenture.

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 Synthetic Security Counterparty 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, the Basis Swap Counterparty or the Cashflow Swap Counterparty), (iii) principal of and interest (including Class D Deferred Interest, Defaulted Interest and interest on Defaulted Interest, if any) 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. Except as specified in clause (viii) of the definition of Event of Default, 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 and certain principal payments in respect of the Offered Securities Subordinate to such Class and certain other expenses (including the Subordinate Management Fee, Incentive Management Fee, Subordinate Sub-Advisory Fee and Incentive Sub-Advisory Fee) and whether and to what extent Principal Proceeds may be reinvested in substitute Collateral Debt Securities.

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, Interest Proceeds and, if necessary, Principal Proceeds that would otherwise be used to pay interest on the Class D Notes, to make distributions to the Preference Shareholders, to pay certain other expenses and, during the Substitution Period, for reinvestment in Collateral Debt Securities must instead be used to pay, in accordance with the Priority of Payments, principal of *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and *fourth*, the Class C Notes, to the extent necessary to cause each Class A/B/C Coverage Test to be satisfied.

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, (a) Interest Proceeds that would otherwise be used to make distributions to the Preference Shareholders and to pay certain other expenses must instead be used to pay principal of *first*, the Class D Notes (including any Class D Deferred Interest), *second*, the Class C Notes, *third*, the Class B Notes, *fourth*, the Class A-2 Notes and *fifth*, the Class A-1 Notes and (b) if necessary, Principal Proceeds must be used to pay principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes and *fifth*, the Class D Notes, in each case, to the extent necessary to cause each Class D Coverage Test to be satisfied. See "–Priority of Payments". For the purpose of determining any payment to be made on any Quarterly Distribution Date pursuant to any applicable clause of "Priority of Payments", any Coverage Test referred to in such clause shall be calculated as of the relevant Quarterly Distribution Date after giving effect to all payments to be made on such Quarterly Distribution Date prior to such payment in accordance with "Priority of Payments".

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. For purposes of the Class A/B/C Coverage Tests and Class D Coverage Tests (collectively, the "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-1 Notes plus (ii) the aggregate outstanding

principal amount of the Class A-2 Notes plus (iii) the aggregate outstanding principal amount of the Class B Notes plus (iv) 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-1 Notes plus (ii) the aggregate outstanding principal amount of the Class A-2 Notes plus (iii) the aggregate outstanding principal amount of the Class B Notes plus (iv) the aggregate outstanding principal amount of the Class C Notes plus (v) the aggregate outstanding principal amount of the Class D Notes, including any Class D Deferred Interest.

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, 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 110.2%.

The "Class D Overcollateralization Test" means, for so long as any Class D Notes remain outstanding, a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class D Overcollateralization Ratio on such Measurement Date is equal to or greater than 103.4%.

The "Overcollateralization Tests" means the Class A/B/C Overcollateralization Test and the Class D 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 sum (without duplication) of (i) the scheduled distributions of interest due during the Due Period in which such Measurement Date occurs (regardless of whether the applicable due date has yet occurred) 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 and each Synthetic Security Issuer Account), 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 plus (iii) the amount, if any, scheduled to be paid to the Issuer by each Hedge Counterparty under each Hedge Agreement on the Quarterly Distribution Date relating to such Due Period (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) plus (v) the amount, if any, in the Interest Reserve Account plus (vi) the amount, if any, of interest or other distributions scheduled to be transferred from a Synthetic Security Counterparty Account to the Interest Proceeds Account on the Quarterly Distribution Date relating to such Due Period minus (vii) 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 (viii) the amount, if any, scheduled to be applied on the Quarterly Distribution Date relating to such Due Period (A) to the payment to the Trustee of an amount not to exceed 0.008125% of the average of the Net Outstanding Portfolio Collateral Balance on the first and the last day of such Due Period, (B) to the payment to the Trustee, the Rating Agencies, the Collateral Administrator, the Preference Share Paying Agent, the Paying Agents, the Note Registrar, the Administrator, the Collateral Manager, the Sub-Advisor and the Conflicts Review Board of accrued and unpaid administrative expenses and (C) to the payment of other accrued and unpaid administrative expenses of the Co-Issuers, in each case, owing by them under clauses (2)(b) through (2)(e) under "Description of the Notes–Priority of Payments–Interest Proceeds", to the extent all such payments pursuant to subclauses (B) and (C) of this clause (viii) do not exceed U.S.$75,000 minus (ix) the amount, if any, scheduled to be paid to (A) the Collateral Manager of accrued and unpaid Senior Management Fee on the Quarterly Distribution Date relating to such Due Period and (B) the Sub-Advisor of accrued and unpaid Senior Sub-Advisory Fee on the Quarterly Distribution Date relating to such Due Period minus (x) 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 (xi) 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; by

(b) 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 sum (without duplication) of (i) the scheduled distributions of interest due during the Due Period in which such Measurement Date occurs (regardless of whether the applicable due date has yet occurred) 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 and each Synthetic Security Issuer Account), 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 plus (iii) the amount, if any, scheduled to be paid to the Issuer by each Hedge Counterparty under each Hedge Agreement on the Quarterly Distribution Date relating to such Due Period (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) plus (v) the amount, if any, in the Interest Reserve Account plus (vi) the amount, if any, of interest or other distributions scheduled to be transferred from a Synthetic Security Counterparty Account to the Interest Proceeds Account on the Quarterly Distribution Date relating to such Due Period minus (vii) 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 (viii) the amount, if any, scheduled to be applied on the Quarterly Distribution Date relating to such Due Period (A) to the payment to the Trustee of an amount not to exceed 0.008125% of the average of the Net Outstanding Portfolio Collateral Balance on the first and the last day of such Due Period, (B) to the payment to the Trustee, the Rating Agencies, the Collateral Administrator, the Preference Share Paying Agent, the Paying Agents, the Note Registrar, the Administrator, the Collateral Manager, the Sub-Advisor and the Conflicts Review Board of accrued and unpaid administrative expenses and (C) to the payment of other accrued and unpaid administrative expenses of the Co-Issuers, in each case, owing by them under clauses (2)(b) through (2)(e) under "Description of the Notes–Priority of Payments–Interest Proceeds", to the extent all such payments pursuant to subclauses (B) and (C) of this clause (viii) do not exceed U.S.$75,000 minus (ix) the amount, if any, scheduled to be paid to (A) the Collateral Manager of accrued and unpaid Senior Management Fee on the Quarterly Distribution Date relating to such Due Period and (B) the Sub-Advisor of accrued and unpaid Senior Sub-Advisory Fee on the Quarterly Distribution Date relating to such Due Period minus (x) 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 (xi) 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; by

(b) 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 "Interest Coverage Ratios" means the Class A/B/C Interest Coverage Ratio and the Class D Interest Coverage Ratio.

For purposes of calculating any Interest Coverage Ratio, (i) the expected interest income on Floating Rate Securities, Eligible Investments 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, (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, (iii) payments made by the Basis Swap Counterparty pursuant to the Basis Swap Agreement will not constitute scheduled interest on any Note and (iv) Interest Proceeds, and scheduled distributions in respect of Synthetic Securities, shall include all scheduled payments of premium and all scheduled interest shortfall reimbursement reimbursements payable under (and as defined in) any Synthetic Security, and Principal Proceeds shall include all scheduled principal shortfall reimbursement reimbursements payable under (and as defined in) any Synthetic Security.

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, 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 110.0%.

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, 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 105.0%.

The "Interest Coverage Tests" means the Class A/B/C Interest Coverage Test and the Class D 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, the Basis Swap 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 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:

(i) (a) a default in the payment of any interest 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 (b) a default in the payment of any interest (A) on any Class A-2 Note, Class B Note or Class C Note when the same becomes due and payable, or (B) if there are no Class A-1 Notes, Class A-2 Notes, Class B Notes or Class C Notes outstanding, on any Class D Note, in each case when the same becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, such default continues for a period of five Business Days);

(ii) (a) a default in the payment of principal of any Note when the same becomes due and payable at its Stated Maturity (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 (b) a default in the payment of principal of any Note when the same becomes due and payable at its Redemption Date (unless the related notice of redemption was withdrawn) and, in the case of this clause (b), such default continues for a period of seven Business Days);

(iii) 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 (i) or (ii) above), which failure continues for a period of three Business Days (or, in the case of a failure resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, five Business Days);

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

(v) a default in the performance, or breach, of any other covenant or other agreement in any material respect (*provided* that, except as provided in clause (viii) below, a failure to satisfy a Collateral Quality Test, a Coverage Test, the Standard & Poor's CDO Monitor Test, the Sequential Pay 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 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, the Basis Swap 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;

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

(vii) one or more final judgments being rendered against either of the Co-Issuers that exceed, in the aggregate, U.S.$1,000,000 (or such lesser amount as any Rating Agency may specify) 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; or

(viii) the failure of the Class A/B/C Overcollateralization Ratio to be equal to or greater than 100% on any Measurement Date occurring on or after the Ramp-Up Completion Date.

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, the Sub-Advisor, each Hedge Counterparty, the Basis Swap 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 (vi) 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 all of the Notes to be immediately due and payable, (b) if applicable, instruct the Issuer not to issue the Class A-1 Notes and (c) terminate the Substitution Period. If an Event of Default described in clause (vi) above under "Events of Default" occurs, such a 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 (i) or clause (ii) above under "Events of Default" with respect to a default in the payment of any principal of or interest on the Notes of a Class other than the Controlling Class, neither the Trustee nor the holders of such non-Controlling Class will have the right to declare such principal and other amounts to be immediately due and payable. For the purposes of calculating the Class A/B/C Overcollateralization Ratio to determine

whether an Event of Default described in clause (viii) under "Events of Default" above has occurred, the Overcollateralization Haircut Amount, if any, shall be subtracted from the calculation of the Net Outstanding Portfolio Collateral Balance.

If an Event of Default shall have occurred and is continuing when any Class of Notes is outstanding, 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 (i)(a), (i)(b)(A), (ii) or (viii) under "Events of Default" above (but with respect to clause (ii), other than such an Event of Default with respect to the Class A-1 Notes only) (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 Class D Deferred Interest, Defaulted Interest and interest on Defaulted Interest) 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 (i)(a) or (ii) (with respect to clause (ii), as it applies to the Class A-1 Notes only) 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;

(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 (i)(b)(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; or

(iv) 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 (viii) under "Events of Default" above, holders of at least 66-2/3% of the aggregate outstanding principal amount of each of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes, voting as a separate Class, direct the sale and liquidation of the Collateral.

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, the Basis Swap 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) 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 (i)(a), (i)(b)(A), (ii), (vi) or (viii) under "Events of Default" above (but with respect to clause (ii), as it applies to the Class A-1 Notes only). 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 (i)(a) or (ii) under "Events of Default" above (but with respect to clause (ii), as it applies to the Class A-1 Notes only), (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, 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 (i)(b)(A) under "Events of Default" above, or (z) holders of at least 66-2/3% of the aggregate outstanding principal amount of each of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes, voting as a separate Class, in the case of an Event of Default arising under clause (viii) under "Events of Default" above, in each case, acting together with the Cashflow Swap Counterparty and the Basis 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 or interest, 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 (i)(a), (i)(b)(A), (ii) or (viii) under "Events of Default" above (but with respect to clause (ii), as it applies to the Class A-1 Notes only) 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 (i)(a) or (ii) under "Events of Default" above (but with respect to clause (ii), as it applies to the Class A-1 Notes only); (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, 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 (i)(b)(A) but not in clause (i)(a) or (ii) under "Events of Default" above (but with respect to clause (ii), as it applies to the Class A-1 Notes only); and (c) the holders of at least 66-2/3% of the aggregate outstanding principal amount of each of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes, voting as a separate Class, if such Events of Default include an Event of Default specified in clause (viii) but not in clauses (i)(a), (i)(b)(A) or (ii) under "Events of Default" above (but with respect to clause (ii), as it applies to the Class A-1 Notes only).

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), (iii) or (iv) 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, notice will also be given 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), (iii) the Cashflow Swap Counterparty (to the extent required pursuant to the terms of the Cashflow Swap Agreement) and (iv) the Basis Swap Counterparty (to the extent required pursuant to the terms of the Basis 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, the Basis Swap 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, the Basis Swap Counterparty or the 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, the Basis Swap 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 and the Preference Shareholders). Such determination shall be conclusive and binding on all present and future holders of the Notes and the Preference Shareholders, each Hedge Counterparty, the Basis Swap Counterparty and the Cashflow Swap Counterparty.

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), the Basis Swap Counterparty (to the extent required pursuant to the terms of the Basis Swap 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 on any Note, reduces the principal amount thereof or the rate of interest 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 or interest on the Notes, changes any place where, or the coin or currency in which, any Note or the principal thereof or interest thereon is payable, or impairs the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable redemption date), (ii) 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 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 (other than in connection with the sale thereof in accordance with the Indenture) or, (v) reduces the percentage of the aggregate outstanding principal amount of holders of each Class of Notes whose consent is required to request that the Trustee preserve the Collateral pledged under the Indenture or rescind the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Indenture, (vi) modifies any of the provisions of the Indenture with respect to supplemental indentures requiring the consent of Noteholders except to increase the percentage of outstanding Notes whose holders' consent is required for any such action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby, (vii) modifies the definition of the term "Outstanding" (as defined in the Indenture) or the subordination provisions of the Indenture, (viii) changes the permitted minimum denominations of any Class of Notes or (ix) modifies any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest on or principal of any Note or the right of the holders of Notes to the benefit of any provisions for the redemption of such Notes contained therein. The Trustee may not enter into any supplemental indenture unless the Rating Condition shall have been satisfied with respect to such supplemental indenture unless 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 Auction Rate 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), the Basis Swap Counterparty (except to the extent otherwise required under the Basis Swap 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 (2005 Revision) (enacted in the Cayman Islands), The Money Laundering Regulations, (2005 Revision) (of the Cayman Islands) and any other similar applicable laws or regulations or to enable the Co-Issuers to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder, (vii) (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 or other amendments and modifications as the Co-Issuers deem appropriate and that do not materially and adversely affect the interests of any Noteholder, Preference Shareholder, Hedge Counterparty, the Basis Swap Counterparty or the Cashflow Swap Counterparty, (x) avoid imposition of tax on the net income of the Issuer or Co-Issuer or of withholding tax on any payment to or by the Issuer or Co-Issuer, (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 listing of the Offered Securities on, or delisting of the Offered Securities from, any exchange, (b) the issuance of additional Preference Shares, (c) 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 and (d) the issuance of Preference Shares to non-U.S. Persons pursuant to Regulation S in global form following receipt by the Issuer of an opinion of counsel to the effect that resales of Preference Shares may be made to non-U.S. Persons in compliance with Rule 3a-7 even though they do not meet the Qualified Institutional Buyer requirement, (xiv) if directed by a board resolution of the Issuer, prevent the Issuer from becoming an "investment company" as defined in the Investment Company Act (or to enable the Issuer to rely on the exemption provided in Rule 3a-7 thereunder), (xv) 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, or (xvi) to accommodate any replacement Hedge Agreement, Basis Swap Agreement or Cashflow Swap Agreement; *provided* that, in each such case, 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, the Basis Swap Counterparty or the Cashflow Swap Counterparty. Unless notified by (i) holders of a majority in aggregate outstanding principal amount of Notes of any Class or by a Majority-in-Interest of Preference Shareholders that such Class or Preference Shareholders would be materially and adversely affected, (ii) any Hedge Counterparty that such Hedge Counterparty could reasonably be expected to be materially and adversely affected, (iii) the Basis Swap Counterparty that the Cashflow Swap Counterparty could reasonably be expected to be materially and adversely affected or (iv) the Cashflow Swap Counterparty that the Cashflow Swap Counterparty could reasonably be expected to be materially and adversely affected, the Trustee may rely upon an opinion of counsel, provided by and at the expense of the party requesting such supplemental indenture, as to whether the interests of any holder of Notes or Preference Shareholder would be materially and adversely affected, any Hedge Counterparty could reasonably be expected to be materially and adversely affected, the Basis Swap 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, the Basis Swap 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, the Basis Swap 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 (a) the Collateral Manager if such supplemental indenture alters the rights or increases the duties, liabilities 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 or (b) the Sub-Advisor if such supplemental indenture alters the rights or increases the duties, liabilities or obligations of the Sub-Advisor in any respect and the Sub-Advisor will not be bound by any such supplemental indenture unless the Sub-Advisor has consented thereto in writing, which consent shall not be unreasonably withheld.

On the Closing Date, the Issuer and the Trustee will enter into the Auction Rate Agency and Amending Agreement without complying with the requirements for a supplemental indenture set forth herein.

Modification of Certain Other Documents

Prior to entering into any agreement amending, modifying, terminating or waiving the Account Control Agreement, any Hedge Agreement, the Basis Swap Agreement, the Cashflow Swap Agreement, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement, the Collateral Management Agreement or the Sub-Advisory Agreement, the Issuer is required by the Indenture to (i) give 10 days' prior notice to each Rating Agency, the relevant Hedge Counterparty, the Basis Swap 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 (w) any amendment to any Hedge Agreement shall have been consented to by the relevant Hedge Counterparty thereto, (x) any amendment to the Basis Swap Agreement shall have been consented to by the Basis Swap Counterparty, (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 clause (5), clause (13) and clauses (20) to (36) 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, the Basis Swap 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 Basis Swap Agreement (including all termination payments), the Cashflow Swap Agreement (including all termination payments), the Collateral Administration Agreement, Administration Agreement, the Sub-Advisory Agreement, the Collateral Management Agreement and the Preference Share Paying Agency Agreement.

Trustee

LaSalle 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 ranking 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 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.

Any successor Trustee shall be required to (1) meet the requirements of Section 26(a)(1) of the Investment Company Act, (2) be not affiliated with the Issuer or the Co-Issuer or any person involved in the organization or operation of the Issuer or the Co-Issuer, (3) not offer or provide credit or credit enhancement to the Issuer or the Co-Issuer and (4) execute an agreement or instrument concerning the Offered Securities containing provisions to the effect set forth in Section 26(a)(3) of the Investment Company Act.

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, 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 relevant taxing authority.

Governing Law

The Indenture, the Investor Application Forms, the Notes, the Preference Share Paying Agency Agreement, the Collateral Administration Agreement, each Hedge Agreement, the Basis Swap Agreement, the Cashflow Swap Agreement, the Auction Rate Agency and Amending Agreement, the Collateral Management Agreement and the Sub-Advisory 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 PREFERENCE SHARES

The Preference Shares will be issued pursuant to the Memorandum and Articles of Association of the Issuer (the "Issuer Charter") and in accordance with a Preference Share Paying Agency Agreement (the "Preference Share Paying Agency Agreement") between LaSalle 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 181 West Madison Street, 32nd Floor, Chicago, Illinois 60602, Attention: CDO Trust Services Group – Class V Funding II.

Status

The Issuer is authorized to issue 18,000 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 amounts standing to the credit of the Issuer's share premium account 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 from time to time (being the aggregate subscription monies in excess of the par value of each share received by the Issuer in connection with the issuance by it of shares, less any amounts previously debited from the share premium account), *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 later of (x) 30 Business Days following the Ramp-Up Completion Date or (y) 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".

In addition, on each Quarterly Distribution Date to the extent that the Preference Shareholders have received an annualized Dividend Yield of 19.5% per annum on such date, if the Class D Notes have not been redeemed in full, Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied to pay principal of the Class D Notes until such Class of Notes has been paid in full. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments—Interest Proceeds".

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 45 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.

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 a supplemental indenture (other than a supplemental indenture that does not require the consent of Noteholders) without the consent of a Majority-in-Interest of Preference Shareholders (if the Preference Shareholders are materially and adversely affected thereby). The Issuer is not permitted to enter into a supplemental indenture without the consent of all of the Preference Shareholders (if the Preference Shareholders are materially and adversely affected thereby) if such supplemental indenture would have the effect of (i) changing the Stated Maturity of the principal of or the due date of any installment of interest on any Note, reducing the principal amount thereof or the Note interest rate thereon, or the Redemption Price with respect thereto, or changing the earliest date on which the Issuer may redeem any Note, changing the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal of, interest on the Notes or changing any place where, or the coin or currency in which, any Note or the principal thereof or interest thereon is payable, or impairing the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable Redemption Date); (ii) reducing the percentage of the aggregate outstanding amount of holders of Notes of each Class whose consent is required for the authorization of any such supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain Defaults thereunder or their consequences provided for in the Indenture; (iii) impairing or adversely affecting the Collateral (except as otherwise expressly permitted by the Indenture); (iv) permitting the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any part of the Collateral or terminating such lien on any property at any time subject to the Indenture (other than in connection with the sale thereof in accordance with the Indenture) or depriving the Holder of any Note of the security afforded by the lien of the Indenture; (v) reducing the percentage of the aggregate outstanding amount of holders of Notes of each Class whose consent is required to request that the Trustee preserve the Collateral or rescinding the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral following certain events pursuant to the Indenture; (vi) modifying any of the provisions governing the entry into a supplemental indenture requiring consent of the Noteholders or other parties, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby; (vii) modifying the definition of the term "Outstanding", or amending the manner in which the proceeds of the Collateral are applied on any Quarterly Distribution Date (including by amending any provision of the Priority of Payments) or modifying the provisions in the Indenture governing the seniority of the Notes; (viii) changing the permitted minimum denominations of any Class of Notes; or (ix) modifying any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest on or principal of any Note or the rights of the holders of Notes to the benefit of any provisions for the redemption of such Notes contained herein.

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

The Collateral Management Agreement: The Collateral Manager may be removed for cause by holders of a majority of the aggregate outstanding principal amount of Notes of the Controlling Class or the holders of a Majority-in-Interest of the Preference Shareholders (excluding Notes and Preference Shares held by the Collateral Manager or any of its affiliates) upon 30 days' prior written notice to the Collateral Manager. No assignment of the Collateral Management Agreement by the Collateral Manager will be effective unless it is made with the consent of the Issuer and the holders of at least 66-2/3% in aggregate principal amount of the Controlling Class of Notes and a Majority in Interest of Preference Shareholders.

Modification of the Issuer Charter

As a general matter of Cayman Islands law, the Issuer Charter may be amended at any time by a resolution of the holders of the ordinary shares passed in accordance with Cayman Islands law subject to obtaining the approval of at least a Majority-In-Interest 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 resolution of the Issuer's ordinary shareholders to dissolve the Issuer, (ii) at any time after the sale or other disposition of all of the Issuer's assets, upon the resolution of the Issuer's ordinary shareholders to dissolve the Issuer, (iii) at any time after the Notes are paid in full, upon the resolution of the Issuer's ordinary shareholders 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 in accordance with the provisions of the Issuer Charter. 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".

Following the passing of a resolution voluntarily to wind up, the Issuer's affairs will be wound up and its assets sold or distributed. Subject to the terms of the Issuer Charter 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) that it will not cause the filing of a winding up or other 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 will be governed by, and construed in accordance with, the law of the Cayman Islands.

No Gross-Up

All payments of dividends and return of capital in respect of the Preference Shares 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.

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 relevant taxing authority.

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 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 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.

Preference Shares. Preference Shares will be represented by certificates in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof. Preference Shares issued to persons that are U.S. Persons or that are held for the account or benefit of U.S. Persons are referred to herein as "Restricted Preference Shares". Preference Shares 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 Preference Shares".

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

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

Transfer Restrictions. The Offered Securities are subject to the restrictions on transfer set forth herein under "Transfer Restrictions" and 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

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

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 Preference Shares surrendered upon exchange or registration of transfer.

General

ERISA Restrictions on Transfer of Preference Shares. No sale, pledge or other transfer of a Preference Share may be made after the initial placement of the Preference Shares to a Benefit Plan Investor or a Controlling Person (both as defined herein). The Preference Share Documents permit the Issuer to require that any person acquiring Preference Shares (or a beneficial interest therein) after the initial placement of the Preference Shares who is determined to be a Benefit Plan Investor or a Controlling Person 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 to a purchaser that is not a Benefit Plan Investor or a Controlling Person and that meets all other applicable transfer restrictions.

Note Registrar and Transfer Agent. Pursuant to the Indenture, LaSalle Bank National Association has been appointed and will serve as the registrar with respect to the Notes (in such capacity, the "Note Registrar") and will provide for the registration of Notes and the registration of transfers of Notes in the register maintained by it (the "Note Register"). LaSalle 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. Walkers SPV Limited has been appointed as transfer agent with respect to the Preference Shares (the "Preference Share Transfer Agent"). The Administrator has been appointed as the Preference Share Registrar. The Preference Share Registrar will provide for the registration of Preference Shares and the registration of transfers of Preference Shares in the register maintained by it (the "Preference Share Register"). Written instruments of transfer are available at the office of the Issuer and the office of the Preference Share Transfer Agent. The Preference Share Registrar and the Preference Share Transfer Agent will effect exchanges and transfers of Preference Shares. In addition, the Preference Share Registrar will maintain in the Preference Share Register records of the ownership, exchange and transfer of the Preference Shares in definitive form.

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 Transfer Agent on behalf of the Preference Share Registrar) may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail.

Minimum Denomination or Number. The Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, and the Class D 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. 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 and (ii) Class D 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. 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.

USE OF PROCEEDS

The gross proceeds received from the issuance and sale of the Offered Securities are expected to be approximately U.S.$307,500,000 (after giving effect to and assuming the issuance in full of the Class A-1 Notes after the Closing Date) and the anticipated gross proceeds as of the Closing Date are expected to be approximately U.S.$239,500,000. The net proceeds from the issuance and sale of the Offered Securities (after giving effect to and assuming the issuance in full of the Class A-1 Notes after the Closing Date) are expected to be approximately U.S.$300,000,000, 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, the Sub-Advisor 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 CDO Obligations and (b) Synthetic Securities the Reference Obligations of which may be Asset-Backed Securities, including CDO Obligations, 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.$210,000,000. The Issuer expects that, no later than August 7, 2006, 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.$300,000,000. 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. See "Security for the Notes".

RATINGS OF THE OFFERED SECURITIES

It is a condition to the issuance of the Offered Securities that the Class A-1 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's" and together with Moody's, the "Rating Agencies"), that the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, that the Class B Notes be rated at least "Aa2" by Moody's and "AA" by Standard & Poor's, that the Class C Notes be rated at least "Aa3" by Moody's and "AA-" by Standard & Poor's and that the Class D Notes be rated at least "Baa2" by Moody's and "BBB" by Standard & Poor's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

The ratings assigned by Moody's to the Notes address the ultimate cash receipt of all required interest and principal payments on each such Class of Notes, in each case as provided in the governing documents, and are based on the expected loss posed to the Noteholders relative to the promise of receiving the present value of such payments. The ratings assigned by Standard & Poor's to the Notes (other than the Class D Notes) address the timely payment of interest and ultimate payment of principal on each such Class of Notes. The rating assigned by Standard & Poor's to the Class D Notes addresses the ultimate payment of interest and ultimate payment of principal on such Class of Notes.

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

The Issuer will request that 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 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-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes and, *fifth*, the Class D Notes, including any Class D Deferred Interest, in each case 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 May 21, 2046. 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 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 5.15%, (i) the average life of the Class A-1 Notes would be approximately 6.0 years from the Closing Date, (ii) the average life of the Class A-2A Notes would be approximately 6.0 years from the Closing Date, (iii) the average life of the Class A-2B Notes would be approximately 6.0 years from the Closing Date, (iv) the average life of the Class B Notes would be approximately 6.0 years from the Closing Date, (v) the average life of the Class C Notes would be approximately 6.0 years from the Closing Date, (vi) the average life of the Class D Notes would be approximately 5.6 years from the Closing Date and (vii) the Macaulay duration of the Preference Shares would be approximately 4.2 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 was incorporated as an exempted company with limited liability and registered on March 22, 2006 in the Cayman Islands, has a registered number of 164658 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 908GT, George Town, Grand Cayman, Cayman Islands, Tel: (345) 914-6304. 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 Basis Swap Agreement, the Cashflow Swap Agreement, the Sub-Advisory 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) 18,000 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 was incorporated on March 22, 2006 under the law of the State of Delaware with the state identification number 4129937 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, Tel: (302) 738-6680. The Co-Issuer has no prior operating experience. It will not have any assets (other than its U.S.$1,000 of share capital owned by the Issuer) and will not pledge any assets to secure the 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 Sub-Advisor, the Initial Purchaser or any of their respective affiliates or any directors or officers of the Co-Issuers.

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

The Administrator will be subject to the overview of the Board of Directors of the Issuer. The directors of the Issuer are David Egglishaw, Derrie Boggess and John Cullinane, each of whom is a director or officer of the Administrator and each of whose offices are at Walkers SPV Limited, Walker House, P.O. Box 908GT, Mary Street, George Town, Grand Cayman, Cayman Islands. The Administration Agreement may be terminated by either the Issuer or the Administrator upon 30 days' notice, in which case a replacement Administrator would be appointed; *provided* that the Issuer may terminate the Administration Agreement with 14 days' prior notice if (a) the Administrator goes into liquidation or is dissolved or commits any other act of bankruptcy under any applicable law or (b) the Administrator shall commit any breach of its obligations under the Administration Agreement and (if such breach is capable of being remedied) shall fail within 30 days of notice served by the Issuer to remedy such breach.

Pursuant to the terms of the Collateral Administration Agreement between the Issuer, LaSalle Bank National Association (the "Collateral Administrator"), the Collateral Manager and the Sub-Advisor (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, P.O. Box 908GT, Mary Street, George Town, Grand Cayman, Cayman Islands.

Capitalization and Indebtedness of the Issuer

The capitalization of the Issuer after giving effect to the issuance of the Offered Securities (assuming the Class A-1 Notes have been issued after the Closing Date) and the ordinary shares of the Issuer but before deducting expenses of the offering of the Offered Securities and organizational expenses of the Co-Issuers, is expected to be as follows:

Class A-1 Notes	U.S.$68,000,000[10]
Class A-2A Notes	U.S.$68,000,000
Class A-2B Notes	U.S.$68,000,000
Class B Notes	U.S.$45,000,000
Class C Notes	U.S.$7,000,000
Class D Notes	U.S.$26,000,000
Total Debt	U.S.$282,000,000
Ordinary Shares	U.S.$1,000
Preference Shares	U.S.$18,000,000*
Total Equity	U.S.$18,001,000*
Total Capitalization	U.S.$300,001,000

* These figures reflect the aggregate liquidation preference of the Preference Shares and not the aggregate par value thereof.

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 18,000 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 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 Purchase Agreement, the Investor Application Forms, each Account Control Agreement, the Preference Share Paying Agency Agreement, each Hedge Agreement, the collateral assignment of each Hedge Agreement, the Basis Swap Agreement, the collateral assignment of the Basis Swap Agreement, the Cashflow Swap Agreement, the collateral assignment of the Cashflow Swap Agreement, the Collateral Management Agreement, the Sub-Advisory Agreement, the Auction Rate Agency and Amending Agreement, the Collateral Administration Agreement, the Administration Agreement and the Master Forward Sale Agreement, (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, (vi) the creation of this

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

Offering Circular, the final Offering Circular and any supplements thereto, (vii) the issuance, if requested by the Sub-Advisor, of a promissory note evidencing the Sub-Advisor's right to receive all Sub-Advisory Fees (including Sub-Advisory Fees that become due and payable after any termination of the Sub-Advisory Agreement) as and when the same become due and payable under the Indenture and (viii) certain activities conducted in connection with the payment of amounts in respect of the Offered Securities, the management of the Collateral and other incidental activities.

The Issuer has no employees and no subsidiaries other than the Co-Issuer. Article "Third" 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.

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, 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 and the Basis Swap Agreement, (e) the rights of the Issuer under the Collateral Management Agreement, the Sub-Advisory Agreement, the Collateral Administration Agreement, the Administration Agreement and the Investor Application Forms, (f) the rights of the Issuer in each Synthetic Security Issuer Account, (g) all cash delivered to the Trustee and (h) all proceeds, accessions, profits, income, benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses (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.

Eligibility Criteria

Each Collateral Debt Security must satisfy each of the following criteria (the "Eligibility Criteria") at the time the Issuer acquires or becomes committed to acquire (whichever is earlier) the Collateral Debt Security. The Issuer will not purchase any Collateral Debt Security after the last day of the Substitution Period. Prior to and including the last day of the Ramp-Up Period, the Issuer is required to use commercially reasonable efforts to invest Uninvested Proceeds and prior to and including the last day of the Substitution Period, the Issuer may, subject to the restrictions specified herein, reinvest Principal Proceeds (other than Specified Principal Proceeds) in additional Collateral Debt Securities. The Issuer may only purchase Collateral Debt Securities (including Collateral Debt Securities purchased on the Closing Date) if, after giving effect to such purchase, each of 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 CDO Obligations 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 or IOs; Eligible under Rule 3a-7	(4) such security (i) 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 and (ii) is an "eligible asset" as defined in Rule 3a-7 under the Investment Company Act;
Rating	(5) (A) such security (including any Synthetic Security) has been assigned 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", (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 the lower of "Ba3" from Moody's (if publicly rated by Moody's) and "BB-" from Standard & Poor's (if publicly rated by Standard & Poor's); *provided* that(1) all Pledged Collateral Debt Securities that

have a public rating of below the lower of "Baa3" from Moody's (if publicly rated by Moody's) or "BBB-" from Standard & Poor's (if publicly rated by Standard & Poor's) and the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 15% 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 the lower of "Baa3" from Moody's (if publicly rated by Moody's) or "BBB-" from Standard & Poor's (if publicly rated by Standard & Poor's) issued by any one issuer does not exceed 1% of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date, *provided* that the aggregate Principal Balance of all such Pledged Collateral Debt Securities of one issuer may equal up to 1.4% of the Net Outstanding Portfolio Collateral Balance, (C) if such security has been downgraded by one or more rating subcategories, such security is not on a watch list for possible downgrade by one or more Rating Agencies, (D) such security has not been downgraded two or more times by any one Rating Agency or the rating of such security has not been reduced by two or more rating subcategories from its initial rating by one or more Rating Agencies, except that the Issuer may acquire such a security if (i) it is a CLO Obligation (including any Synthetic Security as to which the Reference Obligation is a CLO Obligation), *provided* that the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance or (ii) it is a High Yield CDO Obligation (or a Synthetic Security the payments on which are based on a Reference Obligation that is a High Yield CDO Obligation) or a CDO Obligation the payments on which depend primarily on the cash flow from a specified pool of investment grade corporate loans or debt securities, *provided* that the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 3% of the Net Outstanding Portfolio Collateral Balance;

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. Section 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 Deep Discount Security, a Written Down Security or an Inverse Floater Security;

Disallowed Types

(12) such security (A) is not an Aerospace and Defense Security; a Bank Guaranteed Security; a Car Rental Receivable Security; an Emerging Market Security; an Emerging Market CDO Security; a Healthcare Security; an Insurance Company Guaranteed Security; an Insurance Trust Preferred 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 (B) is a Specified Type (other than a Specified Type described in (A) above) or a Synthetic Security as to which the Reference Obligation is of a Specified Type (other than a Specified Type described in (A) above);

Limitation on Stated Final Maturity

(13) such 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 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 the time from such date to the Stated Maturity of the Notes 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

(14) 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

(15) such security is not, and any Equity Security acquired in connection with such security is not, Margin Stock;

No Debtor-in-Possession Financing

(16) such security is not a financing by a debtor-in-possession in any insolvency proceeding;

No Optional or Mandatory Conversion or Exchange

(17) 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

(18) 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 reasonable business 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

(19) 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);

Pure Private Collateral Debt Securities

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

Issuer Concentration

(21) with respect to the particular issuer of the security being acquired and all Pledged Collateral Debt Securities, (A) 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, *provided* that

there may be up to 3 issuers for which the aggregate Principal Balance of all Pledged Collateral Debt Securities issued by any such issuer may equal up to 4% of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date, and (B) there are a minimum of 50 issuers of all Pledged Collateral Debt Securities;

For purposes of this clause (21), any issuers affiliated with one another will be considered one issuer;

No Corporate Guarantees and Guaranteed Debt Securities

(22) such security is not a Guaranteed Debt Security or guaranteed as to ultimate or timely payment of principal or interest;

Single Servicer

(23) with respect to the Servicer of such security, (A) 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 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 4% of the Net Outstanding Portfolio Collateral Balance, or (B) 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 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 2% of the Net Outstanding Portfolio Collateral Balance;

Synthetic Securities

(24) 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) if such Synthetic Security is a Defeased Synthetic Security, such security meets the criteria set forth in the definition of Defeased Synthetic Security, (D) the Rating Condition has been satisfied with respect to Standard & Poor's with respect to the acquisition of such Synthetic Security or it is a Form Approved 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), (E) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Synthetic Securities (including Defeased Synthetic Securities) does not exceed 20% of the Net Outstanding Portfolio Collateral Balance and (F) 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 applicable clause of the Eligibility Criteria;

CDO Obligations

(25) on and after the Ramp-Up Completion Date if such security is a CDO Obligation (including any Synthetic Security as to which the Reference Obligation is a CDO Obligation), (A) the coverage tests set forth in the Underlying Instruments of such CDO Obligation are based primarily on cashflow calculations applicable to all classes of debt securities issued by such CDO; (B) the identity of the assets in the Underlying Portfolio of such CDO Obligation is disclosed to the holders of such CDO Obligation; (C) it is not a single tranche CDO Obligation; (D) the Underlying Portfolio of such CDO Obligation is not composed of more than 10% of single tranche synthetic securities, (E) the Underlying Portfolio of such CDO Obligation is composed of at least 50 assets; (F) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are CDO Obligations (including any Synthetic Security as to which the Reference Obligation is a CDO Obligation) is at least 75% of the Net Outstanding Portfolio Collateral Balance; (G) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are CDOs of CDOs (including any Synthetic Security as to which the Reference Obligation is a CDOs of CDOs) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance, (H) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Trust Preferred CDO Obligations (including any Synthetic Security as to which the Reference Obligation is a Trust Preferred CDO Obligation) does not exceed 3% of the Net Outstanding Portfolio Balance, (I) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are High Yield CDO Obligations (including any Synthetic Security as to which the Reference Obligation is a High Yield CDO Obligation) and CDO Obligations the payments on which depend primarily on the cash flow from a specified pool of investment grade corporate loans or debt securities does not exceed 35% of the Net Outstanding Portfolio Collateral Balance, (J) 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 are High Yield CDO Obligations (including any Synthetic Security as to which the Reference Obligation is a High Yield CDO Obligation) or CDO Obligations the payments on which depend primarily on the cash flow from a specified pool of investment grade corporate loans or debt securities issued by any one issuer does not exceed 6% of the Net Outstanding Portfolio Collateral Balance; (K) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are CDO Obligations the payments on which depend primarily on Other ABS (including any Synthetic Security as to which the Reference Obligation is an Other ABS) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance, and (L) if such security is a CDOs of CDOs (including any Synthetic Security as to which the Reference Obligation is a CDOs of CDOs), such CDOs of CDOs was purchased on the Closing Date;

CLO Obligations

(26) on or after the Ramp-Up Completion Date, if such security is a CLO Obligation (including any Synthetic Security as to which the Reference Obligation is a CLO Obligation), the aggregate Principal Balance of all Pledged Collateral Debt Securities that are CLO Obligations (including any Synthetic Security as to which the Reference Obligation is a CLO Obligation) is at least 25% of the Net Outstanding Portfolio Collateral Balance;

Frequency of Interest Payments

(27) (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

(28) 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 and (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

(29) 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 such other jurisdiction does not exceed 25% of the Net Outstanding Portfolio Collateral Balance, (E) Emerging Market Issuers is 2.5% and (F) obligors (other than Qualifying Foreign Obligors, Emerging Market Issuers 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 25% of the Net Outstanding Portfolio Collateral Balance;

Collateral Quality Tests

(30) (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

(31) on and after the Ramp-Up Completion Date, each of the Coverage Tests is satisfied;

Deemed Floating Rate Securities

(32) if such security is a Deemed Floating Rate Security, (A) such security has a Rating of at least "Baa3" from Moody's and (B) the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 0% of the Net Outstanding Portfolio Collateral Balance;

Bi-Variate Risk

(33) if such security is either a Synthetic Security the issuer of the Reference Obligation in respect of which, or a Deemed Floating Rate Security the Hedge Counterparty in respect of which, is organized in a jurisdiction whose sovereign debt rating is (A) "AAA" from Standard & Poor's, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 20% of the Net Outstanding Portfolio Collateral Balance, (B) "AA+", "AA" or "AA-" from Standard & Poor's, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance and (C) "A+" or "A" from Standard & Poor's, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance; *provided* that the aggregate Principal Balance of (i) all Synthetic Securities, the issuer of the Reference Obligation in respect of which, or Deemed Floating Rate Securities the Hedge Counterparty in respect of which, and all other Collateral Debt Securities, the issuer of which is organized in a jurisdiction whose sovereign debt rating is below "AA" from Standard & Poor's and (ii) all Synthetic Securities other than Defeased Synthetic Securities does not exceed 20% 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) 75% multiplied by (B) the Adjusted Issue Price of such security;

Collateral Manager Concentration	(35) if such security is a CDO Obligation (including any Synthetic Security as to which the Reference Obligation is a CDO Obligation), with respect to the particular collateral manager of the CDO Obligation being acquired and all Pledged Collateral Debt Securities, the aggregate Principal Balance of all Pledged Collateral Debt Securities managed by any one collateral manager (together with the aggregate Principal Balance of each Synthetic Security the Reference Obligation of which is such a CDO Obligation) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance; *provided* that no CDO Obligation that is managed by the Collateral Manager may be acquired at any time when the aggregate Principal Balance of all Pledged Collateral Debt Securities that are CDO Obligations (together with the aggregate Principal Balance of each Synthetic Security the Reference Obligation of which is such a CDO Obligation) managed by the Collateral Manager is greater than 2% of the Net Outstanding Portfolio Collateral Balance;
Other ABS	(36) 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) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance; and
Market Value Changes	(37) such security shall not be acquired for the primary purpose of recognizing gains or decreasing losses resulting from market value changes.

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 any date 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 clause (5), clause (13) and clauses (20) to (36) 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).

Any direction by the Collateral Manager to the Trustee to acquire any Collateral Debt Security, and any determination of whether the Eligibility Criteria are satisfied with respect to any such acquisition, may be made by the Collateral Manager based on the investment advice of the Sub-Advisor given under the Sub-Advisory Agreement, *provided* that the Collateral Manager (because the Collateral Manager is responsible for overall compliance by the Issuer with the Eligibility Criteria) retains the right under the Collateral Management Agreement to refrain from following such advice. The Sub-Advisor will arrange, or assist the Collateral Manager in arranging, for the settlement of any such acquisition.

If the Issuer has previously entered into a commitment to acquire a security for inclusion in the Collateral, then the Issuer need not comply with any of the Eligibility Criteria on the date of such acquisition if the Issuer was in compliance with each of the Eligibility Criteria on the date on which the Issuer entered into such commitment. However, the Issuer may only enter into commitments to acquire securities for inclusion in the Collateral if such commitments to acquire securities do not extend beyond a 30-day period.

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. In connection with any such acquisition, pursuant to the Collateral Management Agreement the Collateral Manager will represent that the

Collateral Manager does not expect that such acquisition will result in the downgrade in any of the ratings assigned by any Rating Agency to any of the Offered Securities.

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

The Collateral Management Agreement provides that, in acquiring CDO Obligations or Other ABS on behalf of the Issuer, the Collateral Manager shall be deemed not to have acquired such CDO Obligations or Other ABS in a manner that would cause the Issuer to become engaged in a U.S. trade or business for U.S. Federal income tax purposes if each of the following four requirements is satisfied.

The first requirement is that the Collateral Manager does not acquire or commit to acquire such obligations or securities on behalf of the Issuer from the obligor or issuer or from a seller that has not purchased and at least partially funded such obligation or security, unless (i) the obligation or security is issued pursuant to an effective registration statement under the Securities Act in an underwriting or placement where no member of the Collateral Manager Group acted as an underwriter or placement agent or (ii) the obligation or security is privately placed pursuant to offering documents, is not required to be registered under the applicable securities laws, and (x) no member of the Collateral Manager Group nor any of their employees (regardless of the capacity in which acting) participated in negotiating or structuring the terms of the obligation or security (other than (1) solely by exercising an election to tranche the subordinate classes of securities of an issue in the form of one of the structuring options offered by the issuer of the securities or (2) commenting on offering documents where the ability to comment was generally available to investors and undertaking due diligence of the kind customarily performed by investors in securities) or otherwise participated in any way in the placement of the obligation or security and (y) the members of the Collateral Manager Group did not at issuance acquire or commit to acquire both (i) more than 33% of the aggregate principal amount of such obligations or securities or any other class of obligations or securities offered by the obligor or issuer in the same or any related offering (unless persons unrelated to the Collateral Manager Group purchase more than 50% of the aggregate principal amount of such obligations or securities or such class at substantially the same time and on substantially the same terms as the Issuer) and (ii) more than 10% of the aggregate principal amount of all classes of securities offered by the obligor or issuer in the same or a related offering.

The second requirement is that the Collateral Manager does not acquire or commit to acquire such obligations or securities on behalf of the Issuer from any member of the Collateral Manager Group unless (A) the seller acquired the obligation or security in a manner that would have satisfied the first, second and third requirements if the seller were the Collateral Manager acting on behalf of the Issuer or (B) the seller regularly acquires obligations or securities of the same type for its own account, could have held the obligation or security for its own account consistent with its investment policies, holds the obligation or security for at least 90 days and during that period does not commit to sell or identify such an obligation or security as intended for sale to the Issuer.

The third requirement is that the Collateral Manager purchases or commits to purchase unissued or unfunded securities otherwise permitted by these requirements on behalf of the Issuer only if the purchase price is fixed at the time of the commitment and the commitment is subject to there being no material adverse change in the condition of the obligor or issuer or in the financial markets.

The fourth requirement is that the Collateral Manager acquires an obligation or security on behalf of the Issuer only if for United States Federal income tax purposes, the asset is debt or each obligor or issuer of the security for United States Federal tax purposes is (A) a corporation or (B) a grantor trust all assets of which are obligations or securities that, if acquired directly, would have satisfied these four requirements.

"Collateral Manager Group" includes (a) the Collateral Manager, (b) each affiliate of the Collateral Manager (or separate division or employee group of an affiliate that has two or more such separate divisions or groups) that is not separated from the Collateral Manager at the time of such purchase (or commitment to purchase, if earlier) by information barriers and (c) any account, fund or portfolio advised or managed by the Collateral Manager or an affiliate (or separate division or group) described in (b).

The Collateral Management Agreement provides that, in entering into a Synthetic Security on behalf of the Issuer, the Collateral Manager shall be deemed not to have entered into such Synthetic Security in a manner that would cause the Issuer to be engaged in a U.S. trade or business for U.S. federal tax purposes if (i) the Reference Obligation would, if acquired directly by the Issuer, satisfy the foregoing safe harbor provision and (ii) each of the following eight requirements is satisfied.

First, the Issuer does not enter into a Synthetic Security that is a credit default swap unless the criteria used by the Collateral Manager to determine whether to enter into (or terminate) any particular Synthetic Security are generally similar to the criteria used by fixed-income portfolio managers to determine whether to make (or sell) investments in debt securities of similar type to the Reference Obligation, and the Collateral Manager uses methods of investment analysis and internal approval procedures with a view toward maximizing the Issuer's return with respect to the related Synthetic Security, and not with a view to minimizing risk of loss through "pooling" of large numbers of similar or identical risks.

Second, the Issuer enters into a Synthetic Security only if the Collateral Manager is not seeking (including on behalf of the Issuer) to benefit from any bid/ask spread.

Third, the Issuer enters into a Synthetic Security only if at the time the Issuer enters into the transaction, the Collateral Manager does not believe that default on the Reference Obligation or Reference Obligations is likely.

Fourth, the Issuer does not (x) enter into a Synthetic Security with a view towards finding another party to assume the Issuer's risk or (y) enter into a transaction (including entering into a Synthetic Security) that will reduce the Issuer's risk with respect to the related Synthetic Security unless there has been a material change in circumstances relating to the market or to one or more of the Reference Obligations that materially affects the value of the Synthetic Security or causes the Collateral Manager to believe that the Synthetic Security is a less attractive position (whether absolutely or relative to other investments) than the Collateral Manager believed when the Issuer originally entered into the Synthetic Security, in which case this condition will not fail to be met merely because the Issuer enters into an offsetting transaction.

Fifth, the Issuer enters into a Synthetic Security only if the counterparty (1) in the case of a credit default swap, is not an insurance company and (2) is a broker-dealer or other person holding itself out as willing to enter into derivatives of this type with customers in the ordinary course of business.

Sixth, the Issuer enters into a Synthetic Security only if the Collateral Manager initiates all proposals to enter into and to terminate a Synthetic Security and the Issuer enters into a Synthetic Security only upon the initiation of the Collateral Manager and not upon the recommendation, request, solicitation of any counterparty; *provided* that (A) the Collateral Manager may accept a specific offer from a dealer to enter into or terminate a transaction if the Collateral Manager had previously contacted the dealer's sales and trading desk to express an interest in entering into or terminating derivatives referencing the obligations of a particular Reference Obligor (or specified class of Reference Obligors) and the dealer subsequently, based on that expression of interest, proposes to the Collateral Manager specific terms on which a transaction is entered into or terminated, (B) the Collateral Manager may accept a specific proposal from a dealer to enter into or terminate a transaction if the proposal was in the form of a list regularly posted or published on a recognized trading medium, or of a list regularly disseminated by the dealer to its customers generally, setting forth indicative prices at which the dealer is willing to enter into (including with parties other than dealers) derivatives on a number of different reference obligations or (C) the Collateral Manager may receive market information from a dealer so long as the dealer regularly distributes that information to its customers generally.

Seventh, the Issuer enters into a Synthetic Security only if it (1) is written on standard form ISDA documentation; (2) does not require that either party hold the Reference Obligation or demonstrate an actual loss in order to require performance by the other party; and (3) permits the Issuer to terminate or, if not, to assign the Synthetic Security to a creditworthy third party reasonably acceptable to the counterparty.

Eighth, the Issuer enters into a Synthetic Security only if the Synthetic Security either (x) provides for settlement in cash (and there is no legal or practical impediment to exercise of that right), or (y) requires physical settlement and the Reference Obligation is readily available to purchasers generally in a liquid market.

Synthetic Securities

A portion of the Collateral Debt Securities may consist of Synthetic Securities entered into between the Issuer and a Synthetic Security Counterparty.

For purposes of determining the Principal Balance of a Synthetic Security at any time, the Principal Balance of such Synthetic Security shall be equal (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 amount of the repayment obligations of the Synthetic Security Counterparty payable to the Issuer through the maturity of such Synthetic Security and (ii) in the case of any other Synthetic Security, the balance in the related Synthetic Security Counterparty Account 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.

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

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

The Collateral Quality Tests

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

Except as otherwise provided below under "Asset Correlation Test", for purposes of the Asset 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). For purposes of the Collateral Quality Tests other than the Asset Correlation Test, and for determining the Moody's Rating of a Synthetic Security, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation.

Asset Correlation Test. The "Asset Correlation Test" means a test that will be satisfied if on any Measurement Date the Asset Correlation Factor is no greater than 22%. "Asset Correlation Factor" means a single percentage determined in accordance with the asset correlation methodology provided from time to time to the Collateral Manager by Moody's (a copy of which the Collateral Manager shall promptly provide to the Trustee), *provided* that the calculation of the Asset Correlation Factor shall be based on a number of assets equal to 50.

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 500. 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, Deferred Interest PIK Bond or Written Down Security, by multiplying (1) the Principal Balance as of such Measurement Date of each such Pledged Collateral Debt Security by (2) its respective

Moody's Rating Factor as of such Measurement Date by (ii) the aggregate Principal Balance as of such Measurement Date of all Pledged Collateral Debt Securities that are not Defaulted Securities or Written Down Securities and rounding the result up to the nearest whole number.

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

Moody's Rating	Moody's Rating Factor	Moody's Rating	Moody's Rating Factor
Aaa	1	Ba1	940
Aa1	10	Ba2	1,350
Aa2	20	Ba3	1,766
Aa3	40	B1	2,220
A1	70	B2	2,720
A2	120	B3	3,490
A3	180	Caa1	4,770
Baa1	260	Caa2	6,500
Baa2	360	Caa3	8,070
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 assigned to it at the date of acquisition thereof, the Moody's Rating Factor with respect to such Collateral Debt Security shall be 10,000 for a period of 90 days from the acquisition of such Collateral Debt Security and after such 90-day period, if such Collateral Debt Security is not rated by Moody's and no other security or obligation of the issuer thereof or obligor thereon is rated by Moody's and the Issuer 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.

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" 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-"; 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;

provided that:

(w) the rating of any rating agency used to determine the Moody's Rating pursuant to any of clauses (i) or (ii) above shall be a public rating (and not an estimated rating) that addresses the obligation of the obligor (or guarantor, where applicable) to pay principal of and interest on the relevant Collateral Debt Security in full and is monitored on an ongoing basis by the relevant rating agency;

(x) in respect of Collateral Debt Securities the Moody's Rating of which is based on a rating of another rating agency (1) if such Collateral Debt Securities are rated by both Standard & Poor's and Fitch, the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 20% of the aggregate Principal Balance of all Collateral Debt Securities; (2) if such Collateral Debt Securities are rated by either of the other rating agencies (but not both), the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 10% of the aggregate Principal Balance of all Collateral Debt Securities; and (3) if such Collateral Debt Securities are rated by the same rating agency (and no other rating agency), the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 7.5% of the aggregate Principal Balance of all Collateral Debt Securities;

(y) with respect to any Synthetic Security, the Moody's Rating thereof will be determined as specified by Moody's at the time such Synthetic Security is acquired; and

(z) (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.

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 10% 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); and

(II) if such Collateral Debt Security is a Synthetic Security:

(i) if Standard & Poor's has assigned a rating to such Synthetic Security either publicly or privately (in the case of a private rating, 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.

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

The "Moody's Weighted Average Recovery Rate" is the number (expressed as a percentage rounded up to the first decimal place) obtained by (a) summing the products obtained by multiplying the Principal Balance of each 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 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 2.95% on the Closing Date and on any Measurement Date thereafter.

The "Weighted Average Spread" means, as of any Measurement Date, the sum 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 Security) 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 Securities) plus (b) if such sum of the numbers obtained pursuant to clause (a) is less than the applicable percentage specified in the definition of "Weighted Average Spread Test", the Fixed Rate Excess, if any, as of such Measurement Date. For purposes of this definition, (1) no contingent payment of interest will be included in such calculation and (2) in the case of any Floating Rate Security 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.

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
Thereafter to and including November 21, 2006	6.5
Thereafter to and including May 21, 2007	6
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) 29% with respect to the Class A Notes, (b) 33% with respect to the Class B Notes, (c) 33% with respect to the Class C Notes or (d) 45% with respect to the Class D 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 Basis Swap 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-1 Note Default Differential, the Class A-2 Note Default Differential, the Class B Note Default Differential, the Class C Note Default Differential or the Class D Note Default Differential of the Proposed Portfolio is positive or if any of the Class A-1 Note Default Differential, the Class A-2 Note Default Differential, the Class B Note Default Differential, the Class C Note Default Differential or the Class D Note Default 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-1 Note Default Differential" means, with respect to the Class A-1 Notes, at any time, the rate calculated by subtracting the Class A-1 Note Scenario Default Rate at such time from the Class A-1 Note Break-Even Default Rate at such time.

The "Class A-1 Note Scenario Default Rate" means, with respect to the Class A-1 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-1 Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class A-1 Note Break-Even Default Rate" means, with respect to the Class A-1 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-1 Notes in full by their Stated Maturity and the timely payment of interest on the Class A-1 Notes.

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

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

The "Class A-2 Note Break-Even Default Rate" means, with respect to the Class A-2 Notes, at any time, the maximum percentage of defaults (as determined 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 Default 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 Default Differential" means, with respect to the Class B Notes, at any time, the rate calculated by subtracting the Class B Note Scenario Default Rate at such time from the Class B Note Break-Even Default Rate at such time.

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

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

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

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

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

The "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, the Sub-Advisor and the Collateral Administrator on or prior to the Ramp-Up Completion Date for the purpose of estimating the default risk of Collateral Debt Securities as may be amended by Standard & Poor's (and provided to the Collateral Manager, Issuer and Collateral Administrator) from time to time.

The Standard & Poor's CDO Monitor calculates the cumulative default rate of a pool of Collateral Debt Securities consistent with a specified benchmark rating level based upon Standard & Poor's proprietary corporate debt default studies. In calculating the Class A-1 Note Scenario Default Rate, the Class A-2 Note Scenario Default Rate, the Class B Note Scenario Default Rate, the Class C Note Scenario Default Rate and the Class D 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), any Deferred Interest PIK Bond or any Written Down Security 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 at any time (but within 90 days after the Collateral Manager becomes aware of the event that has caused the Collateral Manager to determine that such Collateral Debt Security has become a Credit Risk Security); *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 at any time (but within 90 days after the Collateral Manager becomes aware of the event that has caused the Collateral Manager to determine that such Collateral Debt Security has become a Credit Improved Security); *provided* that (A) during the Substitution Period, a Credit Improved Security may be sold only if, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), the resulting Sale Proceeds 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, a 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 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 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) 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);

(v) shall use its reasonable best efforts to sell each Equity Security (other than an Equity Security described in clause (iv) 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);

(vi) shall sell any Deliverable Obligation that is a Defaulted Security and that does not satisfy clauses (6), (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

(vii) shall, in the event of an Auction Call Redemption, Rating Confirmation Failure, Optional Redemption or Tax Redemption, direct the Trustee to sell, 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. In addition, no Pledged Collateral Debt Security may be sold for the primary purpose of recognizing gains or decreasing losses resulting from market value changes. In connection with any such disposition, pursuant to the Collateral Management Agreement the Collateral Manager will represent to the Issuer that the Collateral Manager does not expect that such disposition will result in the downgrade in any of the ratings assigned by any Rating Agency to any of the Offered Securities.

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; (ii) such proceeds are used to make such a redemption and (iii) 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 and the Up Front Payment

The Issuer may, after the Closing Date, enter into one or more interest rate cap agreements with respect to specific Collateral Debt Securities with a counterparty with respect to which the Rating Condition with respect to Standard & Poor's has been satisfied (each a "Hedge Counterparty"), each consisting of an ISDA Master Agreement and Schedule and one or more confirmations having a notional amount (or scheduled notional amounts) equal to the principal amount (as it may be reduced by expected amortization) of the specified Collateral Debt Security. Any such interest rate cap 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".

In addition, on the Closing Date, the Issuer will enter into a Basis Swap Agreement (together with any replacement therefore, the "Basis Swap Agreement") with a counterparty with respect to which the Rating Condition has been satisfied (together with any permitted assignee or successor, the "Basis Swap Counterparty"). The Basis Swap Agreement will not hedge any of the interest rate risks to which the Issuer is exposed. See the Class A-1 Notes Supplement and the Class A-2 Notes Supplement for a detailed description of the Basis Swap Agreement. Pursuant to the confirmation to which the Issuer and the Basis Swap Counterparty, the Issuer will receive on the Closing Date payment from the Basis Swap Counterparty of U.S.$7,585,000 (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 the Quarterly Distribution Date in an amount specified in the confirmation. The Issuer's obligations to the Basis Swap Counterparty in respect of such Up Front Payment and the other amounts due from the Issuer under the Basis Swap Agreement will be secured under the Indenture and will be senior in priority to the Issuer's obligations to pay interest on, and principal of, the Notes.

The Issuer may not enter into a Hedge Agreement unless such action satisfies the Rating Condition with respect to Standard & Poor's. Each of the Deemed Floating Rate Hedge Agreements, Basis Swap Agreements and Cashflow Swap Agreements are referred to collectively as the "Hedge Agreements". 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, enforcement or termination of which would subject the Issuer to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation. The initial 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 hedge 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". Each Hedge Agreement will be governed by New York law.

In respect of each Hedge Counterparty (other than the Initial Hedge Counterparty), if: (x)(i) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Hedge Rating Determining Party are rated below "A1" by Moody's (or rated "A1" by Moody's and on watch for possible downgrade) and (ii) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of 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 and the Collateral Manager 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 and the Initial Basis 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;

(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 or the Holders of the Class A-2 Notes, as applicable) 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 is falls to "Aa3" (and is 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 is 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), (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. The notional amount under the Basis Swap Agreement the proceeds of which will be used to pay interest on the Class A Notes will be subject to increase upon the funding of the Class A-1 Notes (and upon any reduction in the aggregate principal amount of certain specified Collateral Debt Securities that pay interest on a monthly basis) and will be subject to reduction by reason of the amortization of the Class A Notes. Any reduction on or before the Quarterly Distribution Date occurring in May 2014 in the aggregate outstanding amount of the Class A Notes not occurring as a result of the actual amortization of Collateral Debt Securities will constitute an early termination of the Basis Swap Agreement the proceeds of which will be used to pay interest on the Class A Notes. Upon any such early termination, an amount may be payable by the Issuer to the Basis Swap Counterparty or by the Basis Swap Counterparty to the Issuer, in each case, to the extent funds are available for such purpose in accordance with the Priority of Payments. The Issuer will enter into two additional basis swap transactions under the Basis Swap Agreement, each with a scheduled termination date occurring in 2014. Under the first such transaction, (a) the Issuer will make an upfront payment of U.S.$106,000 and will thereafter make certain payments on a quarterly basis (other than on Quarterly Distribution Dates) to the Basis Swap Counterparty computed by reference to a floating London Interbank Offered Rate multiplied by a declining scheduled notional amount and (b) the Basis Swap Counterparty will make certain payments on each Quarterly Distribution Date to the Issuer computed by reference to LIBOR multiplied by a declining scheduled notional amount. Under the second such transaction, (a) the Issuer will make an upfront payment of U.S.$22,000 and will thereafter make certain payments on a quarterly basis (other than on Quarterly Distribution Dates) to the Basis Swap Counterparty computed by reference to a floating London Interbank Offered Rate multiplied by a declining scheduled notional amount and (b) the Basis Swap Counterparty will make certain payments on each Quarterly Distribution Date to the Issuer computed by reference to LIBOR multiplied by a declining scheduled notional amount.

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 the Issuer (or the Collateral Manager on behalf of the Issuer) 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 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 a counterparty with respect to which the Cashflow Swap Ratings Requirement has been satisfied ("the Cashflow Swap Counterparty") constituted by the transaction denominated as such in a confirmation exchanged under a ISDA Master Agreement and Schedule in accordance with the Indenture, the "Cashflow Swap Agreement"). The Issuer shall not, however, enter into any Cashflow Swap Agreement, the payments from which are subject to withholding tax or the entry into, performance, enforcement or termination of which would subject the Issuer to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation. The Initial Cashflow Swap Counterparty will be AIG Financial Products Corp. See "The Cashflow Swap Counterparty" below.

The Cashflow Swap Agreement will provide that, on any Quarterly Distribution Date (so long as any Class A, 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 payable on the Class A-1 Notes (or, if the Basis Swap Agreement 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 (or, if the Basis Swap Agreement is in effect, the gross amount payable by the Issuer to the Basis Swap Counterparty, without taking into account any netting provision), Class B 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 on (i) the Class A-1 Notes shall be a "Class A-1 Cashflow Swap Amount", (ii) the Class A-2 Notes shall be a "Class A-2 Cashflow Swap Amount", (iii) the Class B Notes shall be a "Class B Cashflow Swap Amount" and (iv) 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 product of (i) the sum of the aggregate outstanding principal amount of the Class A-1 Notes, Class A-2 Notes, the Class B Notes and the Class C Notes on such date multiplied by (ii) the sum of (x) 17% plus (y) the Cashflow Swap Weighted Average Spread multiplied by (iii) two and (b) U.S.$91,500,000.

"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-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes outstanding as of the related Determination Date (x) the current spread above LIBOR 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-1 Notes, Class A-2 Notes, Class B Notes and 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-1 Cashflow Swap Amount, the rate of interest from time to time applicable to the Class A-1 Notes, (ii) any Class A-2 Cashflow Swap Amount, the rate of interest from time to time applicable to the Class A-2 Notes, (iii) any Class B Cashflow Swap Amount, the rate of interest from time to time applicable to the Class B Notes and (iv) 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 a fee as set forth in the Cashflow Swap Agreement, which fee shall not exceed $137,250 per annum.

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 and the Collateral Manager 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 is withdrawn, suspended or 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 is withdrawn, suspended or 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 the 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 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 expressly 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.

"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 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 "AA-" 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-1 Notes, the Class A-2 Notes, the Class B Notes and the 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 and (b) any Optional Redemption, Auction Call Redemption or Tax Redemption.

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 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 a 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 Hedge 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 in the following two paragraphs has been prepared by the Cashflow Swap Counterparty and the Basis Swap Counterparty and has not been independently verified by the Co-Issuers, the Initial Purchaser, the Trustee or any other person. The Cashflow Swap Counterparty and the Basis Swap Counterparty have assumed the responsibility for the accuracy, completeness or applicability of this information.

The Initial Hedge Counterparty, Basis Swap Counterparty and Cashflow 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 covering the fixed income, foreign exchange, credit, equity, energy and commodities markets. AIG-FP also enters into investment contracts and other structured transactions and invests in a diversified portfolio of securities. In the course of conducting its business, AIG-FP also engages in a variety of other related transactions.

American International Group, Inc. ("AIG") is the guarantor of the payment obligations of its subsidiary, AIG-FP, with respect to the Hedge Agreements entered into between AIG-FP and the Issuer. AIG, world leaders in insurance and financial services, is the leading international insurance organization with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world. AIG's Common Stock is listed in the U.S. on the New York Stock Exchange as well as the stock exchanges in London, Paris, Switzerland and Tokyo. Reports, proxy statements and other information filed by AIG with the Securities and Exchange Commission (the "SEC") pursuant to the informational requirements of the Exchange Act can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Copies of such materials can be obtained from the Public Reference Section of the SEC, 100 F Street, NE, Room 1580, Washington, D.C. 20549, at prescribed rates. The SEC also maintains a web site at http://www.sec.gov which contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

Except for the information contained in the preceding two paragraphs, AIG and AIG-FP have not been involved in the preparation of, and do not accept responsibility for, this Offering 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 sub-accounts 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), any amounts payable to the Issuer by the Basis Swap Counterparty under the Basis Swap Agreement (other than amounts received by the Issuer by reason of an event of default or termination event

under the Basis Swap Agreement or other comparable event that are required to be used for the purchase by the Issuer of a replacement Basis Swap 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 permitted 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 the issuance and funding of the Class A-1 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, the Sub-Advisor 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 the Issuer has obtained a Rating Confirmation as provided in the Indenture, transfer 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; 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 the Priority of Payments 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 or 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, the Sub-Advisor and the Initial Purchaser) and the expenses of offering the Offered Securities, U.S.$75,000 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.$75,000 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.$75,000. 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 Basis Swap 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, the Sub-Advisor and the Initial Purchaser) and the expenses of offering the Offered Securities, on the Closing Date U.S.$325,000 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 Quarterly Distribution Date, the Trustee will transfer U.S.$325,000 from the Interest Reserve Account to the Payment Account for application (x) as Interest Proceeds on the first Quarterly Distribution Date for distribution to the holders of the Class A-1 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 first Quarterly Distribution Date pursuant to clause (5) of "Description of the Notes—Priority of Payments—Interest Proceeds" and (y) to the extent that there are any amounts remaining after application as provided in the preceding clause (x), for application as Interest Proceeds in accordance with the Priority of Payments.

Synthetic Security Counterparty Accounts

For each Defeased Synthetic Security, the Trustee will establish a single, segregated account (each such account, a "Synthetic Security Counterparty Account") that will be held in the name of the Trustee in trust for the benefit of the related Synthetic Security Counterparty, *provided* that a single Synthetic Security Counterparty Account may be established with respect to all Defeased Synthetic Securities entered into by the Issuer with a particular Synthetic Security Counterparty, and over which the Trustee will have exclusive control and the sole right of withdrawal in accordance with the applicable Synthetic Security and the Indenture. The Trustee and the Issuer shall, in connection with the establishment of a Synthetic Security Counterparty Account, enter into a separate account control and security agreement with the Synthetic Security Counterparty setting forth the rights and obligations of the Issuer, the Trustee and the Synthetic Security Counterparty with respect to such account and pursuant to which the Issuer shall grant the Trustee a first priority security interest in such Synthetic Security Counterparty Account for the benefit of the Synthetic Security Counterparty. As directed in writing by the Collateral Manager on behalf of the Issuer, the Trustee will withdraw from the Uninvested Proceeds 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, 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. Amounts and property standing to the credit of a Synthetic Security Counterparty Account shall be withdrawn by the Trustee (at the direction of the Collateral Manager) and applied to the payment of any amounts payable by the Issuer to the related Synthetic Security Counterparty in accordance with the terms of such Defeased Synthetic Security. To the extent that the Issuer is entitled to receive interest on Synthetic Security Collateral credited to a Synthetic Security Counterparty Account, pursuant to the related Synthetic Security, 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 a default by the Synthetic Security Counterparty which entitles the Issuer to terminate its obligations with respect to such Synthetic Security Counterparty, the Collateral Manager shall, by written direction on behalf of the Issuer, direct the Trustee to withdraw all funds and other property then standing to the credit of the Synthetic Security Counterparty Account related to such Defeased Synthetic Security and credit such funds and other property to the Principal Collection Account (in the case of cash and Eligible Investments) and the Custodial Account (in

the case of Collateral Debt Securities and other financial assets) for application in accordance with the terms of the Indenture.

Except for interest on Synthetic Security Collateral credited to a Synthetic Security Counterparty Account 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 assets of the Issuer for purposes of the Collateral Quality Tests, Coverage Tests or the Sequential Pay Test; however, the Defeased Synthetic Security that relates to such Synthetic Security Counterparty Account shall be considered an asset of the Issuer for such purposes.

Synthetic Security Issuer Accounts

If the terms of any Synthetic Security require the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Trustee shall cause to be established a Securities Account in respect of such Synthetic Security (each such account, a "Synthetic Security Issuer Account"), which shall be held in the name of the Trustee as entitlement holder in trust for the benefit of the Secured Parties, *provided* that a single Synthetic Security Issuer Account may be established to secure all of the obligations of a particular Synthetic Security Counterparty to the Issuer in respect of Synthetic Securities. Upon Issuer Order, the Trustee, the Issuer and the Custodian shall enter into an account control agreement with respect to such account in a form substantially similar to the Account Control Agreement. The Trustee shall credit to any such Synthetic Security Issuer Account all funds and other property received from the applicable Synthetic Security Counterparty to secure the obligations of such Synthetic Security Counterparty in accordance with the terms of such Synthetic Security.

As directed by an Issuer Order executed by the Collateral Manager in writing and in accordance with the terms of the applicable Synthetic Security, amounts credited to a Synthetic Security Issuer Account shall be invested in Eligible Investments or other Synthetic Security Collateral. Income received on amounts credited to such Synthetic Security Issuer Account shall be withdrawn from such account and paid to the related Synthetic Security Counterparty in accordance with the terms of the applicable Synthetic Security.

Funds and other property standing to the credit of any Synthetic Security Issuer Account shall not be considered to be assets of the Issuer for purposes of any of the Collateral Quality Tests, the Coverage Tests or the Sequential Pay Test; however, the Synthetic Security that relates to such Synthetic Security Issuer Account shall be considered an asset of the Issuer for such purposes.

In accordance with the terms of the applicable Synthetic Security, funds and other property standing to the credit of the related Synthetic Security Issuer Account shall, as directed by the Collateral Manager by 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.

THE COLLATERAL MANAGER

The information appearing under the heading "The Collateral Manager" has been prepared by the Collateral Manager and has not been independently verified by the Co-Issuers, the Trustee, the Initial Purchaser or any other person. The Collateral Manager is responsible for the accuracy, completeness or applicability of all such information.

General

Certain advisory and administrative functions with respect to the Collateral will be performed by the Collateral Manager under the agreement to be entered into between the Issuer and the Collateral Manager (the "Collateral Management Agreement"). In accordance with the Collateral Quality Tests and the Coverage Tests and other requirements set forth in the Indenture, and in accordance with the provisions of the Collateral Management Agreement, the Collateral Manager will select the portfolio of Collateral Debt Securities. Pursuant to the terms of the Collateral Management Agreement and the Indenture, the Collateral Manager will monitor the Collateral Debt Securities and provide the Issuer with advice with respect to the composition and characteristics of the Collateral Debt Securities, and with respect to any disposition or tender of Collateral Debt Securities and the application of the proceeds thereof. The Collateral Manager will also advise the Issuer with respect to Synthetic Securities, entering into Hedge Agreements and Securities Lending Agreements, and will instruct the Trustee from time to time with respect to the investment of retained funds in Eligible Investments. The collateral management activities of the Collateral Manager on behalf of the Issuer will be subject to certain restrictions contained in the Indenture.

Credit Suisse Alternative Capital, Inc. ("ACI"), located at Eleven Madison Avenue, New York, New York 10010, will serve as the Collateral Manager. Prior to January 16, 2006, ACI was known as CSFB Alternative Capital, Inc. ACI is a U.S. registered investment adviser and an indirect subsidiary of Credit Suisse Group, a global financial services firm founded in 1856 and headquartered in Zurich, Switzerland, with its main listing on the Swiss Stock Exchange. Credit Suisse Group is engaged in commercial, investment and private banking, insurance and asset management. ACI is an affiliate of Credit Suisse Securities (USA) LLC ("CSS").

CSS has entered into a services agreement, dated as of July 1, 2004, with ACI (the "Employee Services Agreement") to make available to ACI certain of CSS's employees to enable ACI to perform its obligations under the Collateral Management Agreement. These employees of CSS are members of its Leveraged Investment Group ("LIG"). Certain members of the LIG team are also officers of ACI.

ACI currently serves as collateral manager for eighteen collateralized debt obligation vehicles (the "CDO Vehicles"). Seventeen of the CDO Vehicles invest in high yield loans and bonds and the remaining CDO Vehicle invests in securities issued by other collateralized debt obligation vehicles and in asset-backed securities. The initial aggregate capitalization of the seventeen CDO Vehicles that invest in high yield loans and bonds at the time of issuance was approximately $10.2 billion. Each of the CDO Vehicles is managed by the LIG team for ACI under the Employee Services Agreement.

In addition to the CDO Vehicles, LIG also acts as advisor or sub-advisor to a fund and a separate account which both invest primarily in leveraged loans and to approximately ten separate accounts that invest primarily in high yield bonds. ACI and its affiliates currently advise and may in the future sponsor or advise other investment vehicles or portfolios with investment objectives, policies and restrictions similar or identical to those of the Issuer.

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 respective employees investing for their own accounts or for the accounts of others. See "Risk Factors—Certain Conflicts of Interest—Conflicts of Interest Involving the Collateral Manager."

Investment Approach and Analysis

The Collateral Manager's objective in investing in Collateral Debt Securities on behalf of the Issuer is to minimize the possibility of principal loss while enhancing return through limited portfolio management, subject to

the limitations in the Indenture. The Collateral Manager's selection of Collateral Debt Securities is based primarily on structural and credit analysis as well as technical factors which may influence trading levels and pricing. The Collateral Manager will invest in assets that it believes are appropriately priced, properly structured and able to be adequately serviced. The Collateral Manager believes its relationships with leading investment and commercial banks as well as other financial intermediaries allow it to review a number of potential investment opportunities from which to select Collateral Debt Securities. In evaluating the worthiness of potential investments, the Collateral Manager focuses on, among other things, the transaction structure, the underlying collateral, and the capabilities of the collateral manager and/or servicer.

Personnel

Set forth below is information regarding certain persons who currently hold positions within LIG and perform services for the Collateral Manager under the Employee Services Agreement, although such persons may not necessarily continue to hold such positions or be involved in the performance of asset management services for the Issuer during the entire term of the Collateral Management Agreement. Additional personnel may be retained by the Collateral Manager or CSS and made available to the Collateral Manager under the Employee Services Agreement, without notice to the Issuer or the Holders of the Notes.

In the following biographies, "CS" refers to Credit Suisse Group, its affiliates and their predecessors. Messrs. Popp, Marshak, Lerner, Flannery and Milovich and Ms. Karn joined LIG as a group in 2000. Unless otherwise specified, members of LIG are resident in New York.

John G. Popp
Managing Director
Head of the Leveraged Investment Group

Mr. Popp is Head of the Leveraged Investments Group, with primary responsibility for directing the investment decision and monitoring processes and managing/overseeing LIG's global investment strategy. Mr. Popp chairs the LIG ABS Credit Committee. Prior to joining LIG, Mr. Popp was a founding partner and head of asset management of First Dominion Capital, LLC, overseeing the management of $2.5 billion in CDO Vehicles. From 1992 through 1997, Mr. Popp was a Managing Director of Indosuez Capital and also served as President of Indosuez Capital Asset Advisors, Inc., and President of 1211 Investors, Inc. While at Indosuez, Mr. Popp was responsible for building that firm's asset management business, including the development of three CDO Vehicles aggregating $1.3 billion. Prior thereto, Mr. Popp was a Senior Vice President in the Corporate Finance Department of Kidder Peabody & Co., Inc., which he joined in 1989. Mr. Popp had previously been a Vice President in the Mergers and Acquisitions Department of Drexel Burnham Lambert. Mr. Popp is a council member of The Brookings Institution and a member of The Juilliard School Council. He holds a B.A. from Pomona College and a M.B.A. from the Wharton Graduate Division of the University of Pennsylvania.

Andrew H. Marshak
Managing Director

Mr. Marshak has global responsibility for overseeing LIG's portfolio management and trading. Mr. Marshak is a member of the LIG ABS Credit Committee. Prior to joining LIG, Mr. Marshak was a Managing Director and a founding partner of First Dominion Capital, LLC, which he joined in 1997 from Indosuez Capital, where he served as a Vice President. Prior to joining Indosuez Capital in 1992, Mr. Marshak was an Analyst in the Investment Banking Department of Donaldson, Lufkin & Jenrette. He holds a B.S., Summa Cum Laude, from the Wharton School of The University of Pennsylvania.

David H. Lerner
Managing Director

Mr. Lerner is a portfolio manager and trader for LIG. Prior to joining LIG, Mr. Lerner served as Senior Vice President of First Dominion Capital, LLC, which he joined in 1998 from The Mitsubishi Trust and Banking Corporation where he was a Vice President in the Leveraged Finance Group. Prior thereto, Mr. Lerner was in the

Corporate Finance Group at Banque Francaise where he also served as Vice President. Mr. Lerner began his career as an Associate at The Chase Manhattan Bank, and holds a B.B.A. from the George Washington University.

Samir Bhatt
Director

Mr. Bhatt joined LIG in 2004 as a credit analyst and is currently an ABS and structured product trader and a portfolio manager for LIG. Prior to that, Mr. Bhatt worked in the structured finance markets for seven years, the first five in the Structured Products Research group at CS and the previous two as an ABS research analyst and structurer at JP Morgan Chase. Mr. Bhatt is a member of the LIG ABS Credit Committee. Mr. Bhatt holds a B.S. in Computer Science from Cornell University.

Glenn Clarke
Director

Mr. Clarke joined LIG in 2005 and is resident in London. Mr. Clarke is the European portfolio manager and trader for LIG. Prior to joining LIG, Mr. Clarke was an Associate Director with AIB Capital Markets European Leveraged Finance team, which he joined in 2000. At AIB, he was responsible for sourcing and executing leveraged transactions for both the Bank's balance sheet and CDOs. Mr. Clarke began his career as an Assistant Manager at the Commonwealth Bank of Australia in 1997, and holds a B.Comm from the Murdoch University, Western Australia.

Thomas J. Flannery
Director

Mr. Flannery is a member of the LIG Credit Committee and is currently the high yield bond trader and a portfolio manager for LIG. Mr. Flannery is a member of the LIG ABS Credit Committee. Prior to joining LIG, Mr. Flannery served as an associate at First Dominion Capital, LLC. Prior to that Mr. Flannery worked at Houlihan Lokey Howard & Zukin, Inc., as an analyst in the Financial Restructuring Group, working on a variety of debtor and creditor representation assignments. Mr. Flannery holds a B.S. from Georgetown University.

Linda R. Karn
Director

Ms. Karn is a credit analyst and joined LIG from First Dominion Capital, LLC, where she served as a Vice President. Ms. Karn joined First Dominion Capital, LLC in 1998 from TD Securities (USA) Inc. where she served as a Vice President in the Media and Telecommunications Institutional Equity Research Group. Prior thereto, Ms. Karn was an analyst in the High Yield Research Group at NationsBanc Capital Markets, Inc. Ms. Karn currently covers the media, telecommunications and publishing sectors. Ms. Karn holds a B.S. from Babson College.

James M. Potesky
Director

Mr. Potesky joined LIG in 2001 as a credit analyst from the Global High Yield Research group at Morgan Stanley where he served as a Vice President and senior chemical industry analyst. From 1998 to 2000, he was a Vice President and chemical industry analyst for the high yield department of Schroder & Company. From 1990 to 1998, Mr. Potesky was a Director and senior credit analyst at Standard & Poor's Ratings Group, a Division of the McGraw-Hill Companies. He began his career as a corporate loan officer at Morgan Guaranty Trust Company in the early 1980s. Mr. Potesky currently covers the diversified industrial and chemical industries. Mr. Potesky holds a B.A. in Political Science from Washington University.

Michael Shackelford
Director

Mr. Shackelford joined LIG in 2006 and is currently an ABS trader and a portfolio manager for LIG. Mr. Shackelford is a member of the LIG ABS Credit Committee. Prior to joining LIG, Mr. Shackelford was a portfolio manager and trader with INVESCO Institutional (N.A.) Inc. responsible for managing and marketing ABS CDO portfolios, which he joined in 2002 from AEGON USA Investment Management, LLC, where he was a portfolio

manager and trader. Prior to that, he was with Credit-Based Asset Servicing and Securitization LLC (C-BASS) in their capital markets group. Mr. Shackelford began his investment career with The Money Store Inc. as a credit analyst and later traded whole loan portfolios. He holds a B.A. in Economics from the University of Texas at Austin and a M.A. in Economics from California State University Sacramento.

Vance P. Shaw, CFA
Director

Mr. Shaw joined CS in 1998 as a senior high yield credit analyst. Mr. Shaw joined LIG in 1998 and currently covers the energy and utility industries. From 1995 to January 1998, Mr. Shaw was Director of High Yield Bond Research at Scotia Capital Markets in New York. Prior to joining Scotia, Mr. Shaw was a Senior Analyst - High Yield Industrials at Lehman Brothers Inc. from 1991 to 1995. Mr. Shaw served as a high yield analyst at Kidder Peabody & Co. from 1989 to 1991 and as a senior high yield research analyst at Prudential Capital Management from 1986 to 1989. Mr. Shaw covered U.S. and foreign banks as an analyst at the Federal Reserve Bank of New York from 1982 to 1985. He received his B.S. in Accounting and Finance from New York University.

Lauri Whitlock
Director

Ms. Whitlock joined CS in 2000 as manager of Post Venture Distribution Management Operations. She joined LIG as Middle Office Manager in 2001. From 1997 to 2000, Ms. Whitlock served as manager of Financial and Regulatory Reporting at Salomon Smith Barney. Prior to joining Salomon Smith Barney, Ms Whitlock served as Assistant Controller at Raymond James and Associates. Ms. Whitlock began her career at Price Waterhouse auditing financial services companies. Ms. Whitlock holds a B.S. in Accounting from the University of Maryland.

Adrienne Dale
Vice President

Ms. Dale joined LIG in 2005 as a credit analyst and currently covers the automotive, retail and restaurant sectors. Prior to joining the group, Ms. Dale worked at CIBC World Markets as a credit analyst in the High Yield Research Group, where she covered the automotive supplier and retailer sectors. Ms. Dale joined CIBC World Markets in 2000, earned her B.A. from the University of Pennsylvania and is completing her M.B.A. at the Stern Business School of New York University.

Edward DeBruyn
Vice President

Mr. DeBruyn joined LIG in 2002 as a credit analyst and currently covers the paper/packaging and diversified manufacturing sectors. Prior to joining LIG, Mr. DeBruyn worked at Morgan Stanley, where he was a credit analyst in the Global High Yield research department covering primarily paper and packaging high yield debt issuers located in North America, South America and Asia. Before joining the research department at Morgan Stanley, Mr. DeBruyn spent two years working on Morgan Stanley's Global High Yield Sales desk. Mr. DeBruyn holds a B.S. in Business Management with a concentration in finance from Merrimack College.

Heather Ibrahim, CFA
Vice President

Ms. Ibrahim joined LIG in 2001 as a credit analyst and currently covers the gaming, lodging and electronics sectors. Prior thereto, Ms. Ibrahim worked for Merrill Lynch, where she was an Assistant Vice President in international equity research. Prior thereto, Ms. Ibrahim was a corporate research analyst at JPMorgan, where she focused on financial institutions and industrials within the emerging markets. Ms. Ibrahim holds a B.S. in Economics from the Wharton School at the University of Pennsylvania.

Todd Kornfeld
Vice President and Counsel

Mr. Kornfeld joined the legal department of CS in 2005. From 2000 to 2005, Mr. Kornfeld was an associate at Cleary Gottlieb Steen & Hamilton LLP in New York, concentrating in securities, capital markets, structured finance and derivatives. From 1998 to 2000, Mr. Kornfeld was an associate at Cadwalader, Wickersham & Taft in New York, concentrating in structured finance and derivatives. Mr. Kornfeld currently is the counsel to LIG. Mr. Kornfeld holds a B.S. in Computer Science from the State University of New York at Albany, a J.D. from Boston University and an LL.M. from New York University. Mr. Kornfeld is a member of the bar in New York, Massachusetts and Connecticut.

Nicholas Milovich
Vice President

Mr. Milovich joined LIG as a credit analyst from First Dominion Capital, LLC, where he served as an Associate. Mr. Milovich joined First Dominion Capital, LLC in 1999 from Bear, Stearns & Co., where he served as an Associate in the High Yield Research Group. Prior to joining Bear Stearns, Mr. Milovich served in the Equity Capital Markets Group at Lehman Brothers. Mr. Milovich currently is an analyst covering the healthcare, transportation and aerospace and defense industries. Mr. Milovich holds a B.S.M.E. from the General Motors Institute and an M.B.A. from the University of Chicago.

Judy Sun
Vice President

Ms. Sun joined LIG in 2005 as a credit analyst and currently covers structured products, primarily RMBS and ABS. Previously, Ms. Sun worked in the fixed-income research department of Freddie Mac for six years, where she developed prepayment, default and pricing models for mortgage-backed securities. Ms. Sun holds a M.S. in Statistics from the University of Maryland and a B.A. in Mathematics from Randolph Macon Women's College.

Michael Klonsky
Assistant Vice President

Mr. Klonsky joined CS in 1998 and became a member of LIG in 2000. He currently is an assistant trader for high yield and leveraged loan investments. Previously, Mr. Klonsky worked as a Fixed Income Trading Assistant in the Strategic Cash Management Group of DLJ Asset Management. Prior to joining DLJ Asset Management, Mr. Klonsky worked as a Trade Specialist at the Bankers Trust Company, dealing with a wide variety of Fixed Income securities. Mr. Klonsky holds a B.S. in Finance from the University of Maryland Smith School of Business.

Ayesha Chenoy
Associate

Ms. Chenoy joined LIG in 2005 as a credit analyst and is resident in London. Prior to joining LIG, Ms. Chenoy served as a Manager in the Global Loan Syndication group in Barclays Capital which she joined from UBS Global Asset Management, where she served as an Associate Director in the Credit Research Group covering real estate, consumer products and industrials. Ms. Chenoy is a credit analyst covering European credits. Ms. Chenoy holds a MSc. in Accounting and Finance from the London School of Economics and a B.A. in Economics from Cambridge.

Ramin Kamali
Associate

Mr. Kamali joined LIG in 2005 as a credit analyst and currently covers the real estate, homebuilding and financial services sectors. Prior to joining the group, Mr. Kamali was in CSS's Investment Banking Division in the Global Industrial and Services Group. Mr. Kamali joined CS in July 2001 as an analyst and was promoted to Associate in July 2004. He holds a B.S. in Economics from The Wharton School of the University of Pennsylvania.

Ryan Lim
Associate

Mr. Lim joined LIG in 2004 and is a credit analyst currently covering the building products, metals/mining, equipment rental and environmental industries. Before joining LIG, Mr. Lim served as an Associate in the Investment and Corporate Banking Division of Harris Nesbitt. Previously, Mr. Lim was an analyst at Goldman Sachs in the Leveraged Finance Bank Debt Portfolio Group, covering primarily industrial credits. Mr. Lim holds a B.A. in Environmental Science and Public Policy from Harvard University.

Daragh Murphy, CFA
Associate

Mr. Murphy joined LIG in 2005 and is resident in London. Prior to joining LIG, Mr. Murphy worked at Fitch Ratings, where he was an Associate Director in the European Leveraged Finance Group. Prior to Fitch Ratings, Mr. Murphy was a credit analyst in the Corporate Finance Group at Naspa Dublin. Mr. Murphy is a credit analyst covering European credits. Mr. Murphy holds a B.Comm. (International) from University College Dublin.

Jakob von Kalckreuth
Associate

Mr. von Kalckreuth joined LIG in 2005 and is resident in London. Prior to joining LIG, Mr. von Kalckreuth worked at CIBC World Markets, where he was an Analyst in the European Leveraged Finance Group involved in origination and execution. Mr. von Kalckreuth is a credit analyst covering European credits. Mr. von Kalckreuth holds a B.Sc. (Hon) from the University of Bath in Economics and International Development.

Lynda Fiuza
Trading Assistant

Ms. Fiuza joined CS in October 1998 as a Senior Portfolio and Trading Assistant from Bear Stearns Asset Management Group where she served as Senior Portfolio Administrator from 1996 to 1998. Ms. Fiuza currently assists LIG in trading and other support functions. Prior thereto, she was a Portfolio Assistant in the High Yield and Derivative Swap Groups of the Prudential Capital Management Group. Ms. Fiuza joined LIG in 2000.

THE SUB-ADVISOR

The information appearing under the heading "The Sub-Advisor" has been prepared by the Sub-Advisor and has not been independently verified by the Co-Issuers, the Trustee, the Initial Purchaser or any other person. The Sub-Advisor is responsible for the accuracy, completeness or applicability of all such information.

General

Bear Stearns Asset Management Inc. ("BSAM"), a corporation formed under the laws of the State of New York, is the Sub-Advisor to the Issuer. BSAM's principal mailing address is 383 Madison Avenue, New York, New York 10179. The Sub-Advisor is registered with the SEC as an investment adviser under the Advisers Act. The Sub-Advisor is a wholly owned subsidiary of The Bear Stearns Companies Inc. affiliates of the Sub-Advisor, including Bear, Stearns & Co. Inc. ("Bear Stearns"), are engaged, among other things, in the business of providing investment advice to pension and profit sharing plans, endowment funds, insurance companies and bank trust departments and in providing administrative services to investment companies. As of June 30, 2005, the Sub-Advisor and its affiliates had approximately $33 billion in third party funds under discretionary management.

Key Personnel

The following individuals are primarily responsible for the Sub-Advisor's activities with regard to the management of the investment portfolio for the Issuer. These individuals are currently employed by BSAM and hold the offices indicated below. Such persons may not necessarily continue to be so employed during the entire term of the Sub-Advisory Agreement.

Ralph Cioffi
Senior Portfolio Manager

Mr. Cioffi is a Senior Managing Director and has been with Bear Stearns since 1985 and is a member of BSAM's Board of Directors. From 1985 through 1991 Mr. Cioffi worked in institutional fixed income sales where he specialized in structured finance products. He served as the New York head of fixed income sales from 1989 through 1991. From 1991 through 1994 Mr. Cioffi served as global product and sales manager for high grade credit products. He was involved in the creation of the Structured Credit effort at Bear Stearns and has been a principal force behind Bear's position as a leading underwriter and secondary trader of structured finance securities; specifically collateralized debt obligations and esoteric asset backed securities. Mr. Cioffi has been managing the Bear Stearns High-Grade Fund since March of 2003, which fund as of August 31, 2004, had gross assets valued at approximately $10.6 billion. Mr. Cioffi holds a BS degree in Business Administration from Saint Michaels College, Vermont.

Matthew Tannin
Portfolio Manager

Mr. Tannin is a Senior Managing Director and has been with Bear Stearns since 1994. He spent seven years on the collateralized debt obligation structuring desk focusing on emerging markets, high grade and market value transactions. From June of 2001 through February of 2003 he followed the CDO market as a Bear Stearns CDO research analyst in the asset-backed research group. Mr. Tannin has a J.D. from the University of San Francisco, was a law clerk on the California Court of Appeal and a Preston Warren scholar in philosophy at Bucknell University.

Ray McGarrigal
Portfolio Manager

Mr. McGarrigal is a Senior Managing Director and has been in the Bear Stearns Financial Analytics and Structured Transactions group for 10 years where he structured high yield CDOs and CLOs as well as mortgage related and credit derivative deals. Mr. McGarrigal has worked closely with all three rating agencies and brings structuring and surveillance expertise to the management team. Mr. McGarrigal has an M.B.A. in finance from New York University and a B.S. from the State University of New York at Oneonta.

Joanmarie Pusateri
Trader

Ms. Pusateri is a Managing Director and has worked in Bear Stearns Institutional Fixed Income Sales since 1986 where she has focused on trade settlement and administration for Asset-Backed, Government, Mortgage and Corporate Bonds. Ms. Pusateri manages BSAM's financing activities and coordinates the trade administration and settlements. Ms. Pusateri has a Bachelor's degree in Finance/Business Administration from Adelphi University, New York.

Manuel E. Villar
Credit-Spread and Volatility Trader

Mr. Villar joined BSAM in 2004 but has been managing fixed income portfolios and trading fixed income securities and derivatives since 1994. Prior to joining Bear Stearns, Mr. Villar was the head trader at Westmoreland Capital Management, a structured credit asset manager. From 1994 through 2000, Mr. Villar was a Vice President at UBS Global Asset Management where he served as Portfolio Manager in the Quantitative Investments Group responsible for the management and trading of fixed income structured, indexed, and listed derivatives portfolios. Mr. Villar earned his B.S. in Finance/Economics from Fordham University in 1994.

Ardavan Mobasheri
Risk Strategist

Mr. Mobasheri has been with Bear Stearns since 2002. He spent two years as a strategist in the Portfolio Strategies Group focusing on balance sheet and portfolio analysis of Banks, Thrifts, and Credit Unions. From 2000 to 2002, he was a Partner and Head of Risk Management and Trading at TriStar Advisors LLC. Mr. Mobasheri has a M.S. in Financial Engineering from Polytechnic University in New York and is currently a PhD candidate in Economics at the City University of New York. He is a Chartered Financial Analyst (CFA) and a certified Financial Risk Manager (FRM).

THE COLLATERAL MANAGEMENT AGREEMENT AND SUB-ADVISORY AGREEMENT

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 Credit Suisse Alternative Capital, Inc. (the "Collateral Manager" 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) advising the Issuer regarding the acquisition, disposition and tender of Collateral Debt Securities, Equity Securities and Eligible Investments, (iii) advising the Issuer in connection with an Optional Redemption, Tax Redemption, Auction Call Redemption or a redemption of the Preference Shares, (iv) advising the Issuer regarding the exercise or waiver of remedies in respect of Defaulted Securities or Credit Risk Securities and the exercise of voting rights with respect to Collateral Debt Securities and Equity Securities, (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) assisting the Issuer in obtaining quotations for and negotiating and entering into, if necessary, any Hedge Agreement in accordance with the terms of the Indenture, (vii) assisting the Issuer in obtaining quotations for and negotiating and entering into, if necessary, any replacement Cashflow Swap Agreement or replacement Basis Swap Agreement in accordance with the terms of the Indenture and (viii) consulting with the Issuer regarding replacement or successor Trustees, Calculation Agents, Note Registrars and accountants.

Under the Collateral Management Agreement, and in accordance with the Sub-Advisory Agreement, the Collateral Manager may request the assistance of the Sub-Advisor in identifying and selecting Collateral Debt Securities for acquisition by the Issuer. However any final decision as to the acquisition or disposition of any Collateral Debt Security shall be made by the Collateral Manager, in its sole discretion, subject to the limitations set forth in the Collateral Management Agreement and in the Indenture.

The Collateral Manager shall not direct the Trustee (i) to acquire any Collateral Debt Security or Eligible Investment (A) from the Collateral Manager or any of its affiliates or any account or portfolio for which the Collateral Manager, or any of its affiliates, acts as investment adviser; or (B) with respect to which the Collateral Manager or any of its affiliates acts as financial advisor or underwriter, or (ii) except for any sale conducted in accordance with the Auction Procedures, to sell any Collateral Debt Security, Eligible Investment or Equity Security to the Collateral Manager or any of its affiliates or to any account or portfolio for which the Collateral Manager, or any of its affiliates serves as an investment advisor, unless (A) the Collateral Manager shall have certified to the Issuer and the Trustee that such transactions (1) will be consummated on terms prevailing in the market and (2) comply with the Advisers Act, to the extent applicable, and (B)(1) the Conflicts Review Board as the Issuer's agent shall have received from the Collateral Manager all necessary or appropriate information relating to such transaction required under the Conflicts Review Board Services Agreement and (2) the Conflicts Review Board shall have approved such transaction. See "Conflicts Review Board" below. 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—Certain Conflicts of Interest—Conflicts of Interest Involving the Collateral Manager".

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, *provided*, that in the case of the Collateral Manager and its affiliates, such authorization and consent may be revoked at any time by the Issuer or the Conflicts Review Board, and to the extent that the Issuer's consent with respect to any particular cross transaction is required by law, such cross transaction will be reviewed by and subject to the consent of the Conflicts Review Board.

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 or the Sub-Advisor) selected by the Collateral Manager with the objective of receiving "best execution". "Best execution" essentially means that the trading process employed seeks to maximize value of the client's portfolio. In seeking best execution, the Collateral Manager considers the full range and quality of a counterparty's services including, among other things, the value of research provided, execution and operational capability, integrity and sound financial practices within stated objectives and constraints. Determining the quality of trade execution requires the evaluation, over time, of subjective, objective and complex qualitative and quantitative factors. In making this determination the Collateral Manager examines whether a client's assets would be exposed to non-operational counterparty related risk, whether value would be added by reducing trading costs and whether operational risk would be incurred. When selecting a counterparty, it is not the Collateral Manager's practice to negotiate "execution only" commission rates. The determinative factor is not necessarily the lowest possible commission or best possible price, but whether the transaction represents the best qualitative and quantitative execution for the client. The Collateral Manager may receive some brokerage or research services in connection with the acquisition or sale of a security or other obligation that are consistent with the "safe harbor" provisions of Section 28(e) of the Exchange Act. While the Collateral Manager generally seeks reasonably competitive pricing, markups, commissions and spreads, the Issuer will not necessarily pay the lowest pricing, markup, commission or spread available with respect to any particular transaction. In the event the Collateral Manager effects transactions through an affiliate of the Collateral Manager, including CSS, the Collateral Manager may have potentially conflicting division of loyalties and responsibilities regarding both parties to such transactions.

The Collateral Manager will be responsible for its own expenses incurred in the course of performing its obligations under the Collateral Management Agreement; *provided* that the Issuer will pay and the Collateral Manager shall not be liable for expenses which are not in the normal course for the Collateral Manager in its role as institutional manager (including any reasonable expenses incurred by it to employ legal advisors, consultants or third parties reasonably necessary in connection with the performance of its obligations under the Collateral Management Agreement and under the Indenture). Accordingly, the issuer will pay expenses and costs incurred in negotiating with issuers of or sellers of Collateral Debt Securities as to proposed modifications or waivers, and execution of transfer documentation, taking action or advising the Trustee with respect to the Issuer's exercise of any rights or remedies in connection with the Collateral Debt Securities and Eligible Investments, including in connection with an Offer or default, participating in committees or other groups formed by creditors of an issuer of Collateral Debt Securities, and consulting with and providing each Rating Agency with any information in connection with the maintenance of the ratings of the Notes. Such expenses will be paid by the Issuer subject to the Priority of Payments.

The Issuer will indemnify and hold harmless the Collateral Manager, its affiliates and each of the directors, officers, stockholders, partners, members, managers, agents and employees of the Collateral Manager or any of their respective affiliates from and against any and all losses, claims, damages, judgments, assessments, costs or other liabilities and reimburse such indemnified party for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) incurred by any such indemnified party in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation or investigation or inquiry, caused by or arising out of or in connection with, the issuance of the Offered Securities, the transactions contemplated by this final Offering Circular, the Indenture or the Collateral Management Agreement, and/or any action taken by, or any failure to act by, such indemnified person, in each case, as such expenses are incurred; *provided* that no such person shall be indemnified for any such liabilities or expenses arising (i) out of or in connection with acts or omissions constituting bad faith, (ii) out of or in connection with the information concerning

the Collateral Manager provided by it in writing for inclusion in this Offering Circular under the heading "The Collateral Manager" and the subsections of the Risk Factors entitled "Certain Conflicts of Interest—Conflicts of Interest Involving the Collateral Manager" and "Limited CDO of CDOs Experience; Dependence on the Collateral Manager, the Sub-Advisor and Key Personnel and Prior Investment Results" if such information contains any untrue statement of material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (iii) from liability to which such indemnified party would be subject by reason of willful misconduct, bad faith, gross negligence or reckless disregard of the obligations of such indemnified party. Any such indemnification by the Issuer will be paid in accordance with the Priority of Payments.

The Collateral Manager shall, subject to the terms and conditions of the Collateral Management Agreement and of the Indenture, perform its obligations thereunder (including with respect to any exercise of discretion) with reasonable care (i) using a degree of skill and attention no less than that which the Collateral Manager exercises with respect to comparable assets that it manages for itself or others and (ii) without limiting the foregoing, in a manner consistent with the practices and procedures followed by institutional managers of national standing relating to assets of the nature and character of the Collateral, except as expressly provided otherwise in the Collateral Management Agreement or the Indenture and subject to the limits set forth in the next paragraph (such standard of care, the "Collateral Manager Standard of Care"). The Collateral Manager shall comply with all the terms and conditions of the Indenture affecting the duties and functions that have been delegated to it thereunder and under the Collateral Management Agreement.

The Collateral Manager, its directors, officers, stockholders, partners, members, agents and employees and its affiliates and their directors, officers, stockholders, partners, members, managers, agents and employees, will not be liable to the Co-Issuers, the Trustee, the Preference Share Paying Agent, the Noteholders, the Preference Shareholders, any Hedge Counterparty, the Basis Swap Counterparty, the Cashflow Swap Counterparty or any other person for any losses, claims, damages, judgments, assessments, costs or other liabilities incurred by the Co-Issuers, Trustee, the Preference Share Paying Agent, the Noteholders, the Preference Shareholders, any Hedge Counterparty, the Basis Swap Counterparty, the Cashflow Swap Counterparty or any other person for any action taken or omitted to be taken by any of them under the Collateral Management Agreement that arise out of or in connection with the performance by the Collateral Manager of its duties under the Collateral Management Agreement or under the terms of the Indenture applicable to it (i) by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence or reckless disregard in the performance of its obligations under the Collateral Management Agreement or under the terms of the Indenture applicable to it and (ii) with respect to the information concerning the Collateral Manager provided by it in writing for inclusion in the preliminary offering circular dated April 7, 2006 or this final Offering Circular under the heading "The Collateral Manager" and the subsections of the Risk Factors entitled "Certain Conflicts of Interest—Conflicts of Interest Involving the Collateral Manager" and "Limited CDO of CDOs Experience; Dependence on the Collateral Manager, the Sub-Advisor and Key Personnel and Prior Investment Results", such information containing any untrue statement of material fact or omitting to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Collateral Manager assumes no responsibility under the Collateral Management Agreement other than to render, in good faith, the services provided for thereunder and under the terms of the Indenture applicable to it in accordance with the standards set forth in the Collateral Management Agreement. The Collateral Manager shall not be responsible for any action or inaction of the Issuer or the Trustee in declining to follow or taking any action which is contrary to any advice, recommendation or direction of the Collateral Manager.

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.

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 termination of the Indenture in accordance with its terms and the

redemption of the Preference Shares, (ii) the liquidation of the Collateral and the final distribution of the proceeds of such liquidation as provided in the Indenture, (iii) the determination in good faith by the Issuer that the Issuer, the Co-Issuer or the pool of Collateral has become required to be registered under the provisions of the Investment Company Act, and the Issuer notifies the Collateral Manager thereof; and (iv) the determination in good faith by the Issuer that the appointment or conduct of the Collateral Manager has caused the Issuer to be engaged in a trade or business in the United States for United States Federal income tax purposes.

Removal for Cause

The Collateral Manager may be removed for cause, by holders of a majority of the aggregate outstanding principal amount of Notes of the Controlling Class or a Majority-in-Interest of Preference Shareholders (excluding Notes and Preference Shares held by the Collateral Manager or any of its affiliates) upon 30 days' prior written notice to the Collateral Manager. Each of the following events with respect to the Collateral Manager will constitute "cause":

(i) 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 (i)) that materially and adversely affects the holders of the Notes of any Class or the Preference Shareholders and, if such breach is capable of being cured, that is not cured within 30 days of its becoming aware of, or its receiving notice from the Trustee of such breach;

(ii) 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 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;

(iii) 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;

(iv) any action taken by the Collateral Manager that constitutes fraud against the Issuer;

(v) the Collateral Manager or any of its principals shall be convicted of a felony related to its primary business; or the Collateral Manager shall be indicted for or shall be convicted of a violation of the Securities Act or any other United States Federal securities law or any rules or regulations thereunder that are materially related to the primary business of the Collateral Manager;

(vi) an Event of Default occurs under clause (i) or (ii) 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 and such misrepresentation (if remediable) is not remedied on or before the 30th day after written notice of such failure is given to the Collateral Manager; and

(viii) as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the aggregate outstanding principal amount of the Class A-1 Notes plus (ii) the aggregate outstanding principal amount of the Class A-2 Notes is less than 100%.

Removal without Cause

At any time, the Collateral Manager may be removed without cause upon 90 days' prior notice by the Issuer at the direction of (i) holders of at least 66-2/3% in aggregate outstanding principal amount of each Class of Notes (voting as a single class) and (ii) a Majority-in-Interest of Preference Shareholders, so long as no Event of Default shall have occurred and be continuing. Notwithstanding the foregoing, no such removal shall be effective unless the terms described under "—Eligible Successor" below have been met.

Resignation

At any time following the Ramp-Up Completion Date, the Collateral Manager may resign without penalty on 90 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 Basis Swap 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 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 66-2/3% 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 Basis Swap Counterparty, the Cashflow Swap Counterparty and the Trustee and (iv) such assumption by an Eligible Successor satisfies the Rating Condition.

Conflicts

In certain circumstances, the interests of the Issuer and/or the holders of the Offered Securities with respect to matters as to which the Collateral Manager is advising the Issuer may conflict with the interests of the Collateral Manager and its affiliates. See "Risk Factors—Certain Conflicts of Interest—Conflicts of Interest Involving the Collateral Manager".

Conflicts Review Board. The Collateral Manager is permitted to effect or recommend transactions between the Issuer and any of the Collateral Manager and its affiliates, acting as principal or on behalf of any account or portfolio for which the Collateral Manager or any of its affiliates serves as investment advisor, only upon disclosure to and with the prior consent of an institution unaffiliated with the Collateral Manager that has been appointed from time to time by the Issuer as its agent for such purpose (the "Conflicts Review Board"). Under the Services Agreement, dated as of August 19, 2004 (the "Conflicts Review Board Services Agreement"), by and among the Collateral Manager, HSBC Bank USA, NA and other entities from time to time party thereto and acceded to by the Issuer on or prior to May 18, 2006, the Conflicts Review Board will also be authorized by the Issuer to approve or decline to approve on the Issuer's behalf matters that the Collateral Manager has determined should be presented to the Issuer for its approval either for the purpose of compliance with the Advisers Act, or otherwise where a potential conflict of interest may arise by reason of the involvement of an affiliate of the Collateral Manager (including, without limitation, in the case of a purchase or sale of assets between the Issuer and another account or portfolio for which the Collateral Manager or an affiliate thereof serves as investment advisor). In addition, the Collateral Manager and its affiliates will be authorized to engage in cross transactions. The Issuer has agreed to permit cross transactions; *provided*, that, in the case of the Collateral Manager and its affiliates, such consent can be revoked at any time by the Issuer or the Conflicts Review Board, and to the extent that the Issuer's consent with respect to any particular cross transaction is required by law, such cross transaction will be reviewed by and subject to the consent of the Conflicts Review Board. The Issuer has appointed HSBC Bank USA, NA to be the initial Conflicts Review Board. The fees and expenses of the Conflicts Review Board will be payable by the Issuer as part of its expenses in accordance with the Priority of Payments (or, with respect to amounts due on the Closing Date, from the gross proceeds of the sale of the Offered Securities). The Conflicts Review Board is also entitled to indemnification from the Issuer in relation to its performance of its services, which will be payable as part of the Issuer's expenses in accordance with the Priority of Payments. The Issuer in its sole discretion may (and, after the occurrence of an Event of Default, at the direction of the Controlling Class, shall) at any time and from time to time, review the appointment of HSBC Bank USA, NA as the Conflicts Review Board and may revoke such appointment and may appoint a successor Conflicts Review Board for the purposes set forth in the Collateral Management Agreement.

Fees

Pursuant to the terms of the Collateral Administration Agreement between the Issuer, LaSalle Bank National Association (the "Collateral Administrator"), the Collateral Manager and the Sub-Advisor (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 LaSalle Bank National Association in its capacity as Trustee, and will be treated as an expense of the Issuer under the Indenture and will be subject to the priorities set forth under "Description of the Notes—Priority of Payments".

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) an up-front fee of U.S.$700,000, (ii) a Senior Management Fee (the "Senior Management Fee") equal to 0.20% per annum of the Quarterly Asset Amount on each Quarterly Distribution Date, (iii) a Subordinate Management Fee (the "Subordinate Management Fee" and, together with the Senior Management Fee, the "Management Fees") equal to 0.1% per annum of the Quarterly Asset Amount on each Quarterly Distribution Date and (iv) 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 15% 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 (x) 20% of the sum of (a) the Interest Proceeds (if any) remaining after the payment of all amounts payable pursuant to clauses (1) through (13) 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 (8) under "Priority of Payments-Principal Proceeds" (but with respect to clause (8), solely to the extent amounts are paid thereunder in respect of unpaid amounts referred to in clauses (11), (12) and (13) of "Priority of Payments-Interest Proceeds") on such Quarterly Distribution Date multiplied by (y) 2/3.

The Sub-Advisory Agreement

On or prior to the Closing Date, the Issuer will enter into a Sub-Advisory Agreement (the "Sub-Advisory Agreement") with Bear Stearns Asset Management Inc. (the "Sub-Advisor" or "BSAM") whereby the Issuer will appoint the Sub-Advisor and the Sub-Advisor will, if requested by the Collateral Manager, assist the Collateral Manager in identifying and electing Collateral Debt Securities to be purchased by the Issuer on the Closing Date and to the end of the Substitution Period, and in performing certain other advisory and administrative tasks for or on behalf of the Issuer, substantially as described above under "—The Collateral Management Agreement".

Under the Sub-Advisory Agreement, and in accordance with Collateral Management Agreement, the Sub-Advisor will agree to assist the Collateral Manager, if requested by the Collateral Manager, in identifying and selecting Collateral Debt Securities for acquisition by the Issuer. However, any final decision as to the acquisition or disposition of any Collateral Debt Security shall be made by the Collateral Manager, in its sole discretion, subject to the limitations set forth in the Collateral Management Agreement and in the Indenture.

The Sub-Advisor will be responsible for its own expenses incurred in the course of performing its obligations under the Sub-Advisory Agreement; *provided* that the Issuer will pay and the Sub-Advisor shall not be liable for expenses which are not in the normal course for the Sub-Advisor in its role as institutional manager (including any reasonable expenses incurred by it to employ legal advisors, consultants or third parties reasonably necessary in connection with the performance of its obligations under the Sub-Advisory Agreement and under the Indenture). Such expenses will be paid by the Issuer subject to the Priority of Payments.

The Issuer will indemnify and hold harmless the Sub-Advisor, its affiliates and each of the directors, officers, stockholders, partners, members, managers, agents and employees of the Sub-Advisor or any of their respective affiliates from and against any and all losses, claims, damages, judgments, assessments, costs or other liabilities and reimburse such indemnified party for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) incurred by any such indemnified party in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation or investigation or

inquiry, caused by or arising out of or in connection with, the issuance of the Offered Securities, the transactions contemplated by this final Offering Circular, the Indenture or the Sub-Advisory Agreement, and/or any action taken by, or any failure to act by, such indemnified person, in each case, as such expenses are incurred; *provided* that no such person shall be indemnified for any such liabilities or expenses arising (i) out of or in connection with acts or omissions constituting bad faith, (ii) out of or in connection with the information concerning the Sub-Advisor provided by it in writing for inclusion in this Offering Circular under the heading "The Sub-Advisor" and the subsections of the Risk Factors entitled "Certain Conflicts of Interest—Conflicts of Interest Involving the Sub-Advisor" and "Limited CDO of CDOs Experience; Dependence on the Collateral Manager, the Sub-Advisor and Key Personnel and Prior Investment Results" if such information contains any untrue statement of material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (iii) from liability to which such indemnified party would be subject by reason of willful misconduct, bad faith, gross negligence or reckless disregard of the obligations of such indemnified party. Any such indemnification by the Issuer will be paid in accordance with the Priority of Payments.

The Sub-Advisor shall, subject to the terms and conditions of the Sub-Advisory Agreement and of the Indenture, perform its obligations thereunder (including with respect to any exercise of discretion) with reasonable care (i) using a degree of skill and attention no less than that which the Sub-Advisor exercises with respect to comparable assets that it manages for itself or others and (ii) without limiting the foregoing, in a manner consistent with the practices and procedures followed by institutional managers of national standing relating to assets of the nature and character of the Collateral, except as expressly provided otherwise in the Sub-Advisory Agreement or the Indenture and subject to the limits set forth in the next paragraph (such standard of care, the "Sub-Advisor Standard of Care"). The Sub-Advisor shall comply with all the terms and conditions of the Indenture affecting the duties and functions that have been delegated to it thereunder and under the Sub-Advisory Agreement.

The Sub-Advisor, its directors, officers, stockholders, partners, members, agents and employees and its affiliates and their directors, officers, stockholders, partners, members, managers, agents and employees, will not be liable to the Co-Issuers, the Trustee, the Preference Share Paying Agent, the Noteholders, the Preference Shareholders, any Hedge Counterparty, the Basis Swap Counterparty, the Cashflow Swap Counterparty or any other person for any losses, claims, damages, judgments, assessments, costs or other liabilities incurred by the Co-Issuers, Trustee, the Preference Share Paying Agent, the Noteholders, the Preference Shareholders, any Hedge Counterparty, the Basis Swap Counterparty, the Cashflow Swap Counterparty or any other person for any action taken or omitted to be taken by any of them under the Sub-Advisory Agreement that arise out of or in connection with the performance by the Sub-Advisor of its duties under the Sub-Advisory Agreement or under the terms of the Indenture applicable to it (i) by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence or reckless disregard in the performance of its obligations under the Sub-Advisory Agreement or under the terms of the Indenture applicable to it and (ii) with respect to the information concerning the Sub-Advisor provided by it in writing for inclusion in this Offering Circular under the heading "The Sub-Advisor" and the subsections of the Risk Factors entitled "Certain Conflicts of Interest—Conflicts of Interest Involving the Sub-Advisor" and "Limited CDO of CDOs Experience; Dependence on the Collateral Manager, the Sub-Advisor and Key Personnel and Prior Investment Results", such information containing any untrue statement of material fact or omitting to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Sub-Advisor assumes no responsibility under the Sub-Advisory Agreement other than to render, in good faith, the services provided for thereunder and under the terms of the Indenture applicable to it in accordance with the standards set forth in the Sub-Advisory Agreement.

The Sub-Advisor shall not be responsible for any action or inaction of the Issuer, the Collateral Manager or the Trustee in declining to follow or taking any action that is contrary to any advice, recommendation or direction of the Sub-Advisor.

The Sub-Advisor 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 Sub-Advisor in any respect without the written consent of the Sub-Advisor and the Sub-Advisor will not be bound by any such amendment unless the Sub-Advisor has so consented, which consent shall not be unreasonably withheld.

Termination of the Sub-Advisory Agreement

The Sub-Advisory Agreement will automatically terminate upon the earliest to occur of (i) the payment in full of the Notes and the termination of the Indenture in accordance with its terms and the redemption of the Preference Shares, (ii) the liquidation of the Collateral and the final distribution of the proceeds of such liquidation as provided in the Indenture, (iii) the determination in good faith by the Issuer that the Issuer, the Co-Issuer or the pool of Collateral has become required to be registered under the provisions of the Investment Company Act, and the Issuer notifies the Sub-Advisor thereof; and (iv) the determination in good faith by the Issuer that the appointment or conduct of the Sub-Advisor has caused the Issuer to be engaged in a trade or business in the United States for United States Federal income tax purposes.

Removal for Cause

The Sub-Advisor may be removed for cause, by holders of a majority of the aggregate outstanding principal amount of Notes of the Controlling Class or a Majority-in-Interest of Preference Shareholders (excluding Notes and Preference Shares held by the Sub-Advisor or any of its affiliates) upon 30 days' prior written notice to the Sub-Advisor. Each of the following events with respect to the Sub-Advisor will constitute "cause":

(i) breach of any provision of the Sub-Advisory Agreement that materially and adversely affects the holders of the Notes of any Class or the Preference Shareholders and, if such breach is capable of being cured, that is not cured within 30 days of its becoming aware of, or its receiving notice from the Trustee of such breach;

(ii) the Sub-Advisor 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 assume all the obligations of the Sub-Advisor under the Sub-Advisory 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 Sub-Advisor under the Sub-Advisory Agreement or under the Indenture;

(iii) insolvency, dissolution, winding-up or liquidation of the Sub-Advisor or the institution of a proceeding seeking a judgment of insolvency or bankruptcy, subject to certain cure periods;

(iv) any action taken by the Sub-Advisor that constitutes fraud against the Issuer;

(v) the Sub-Advisor or any of its principals shall be convicted of a felony related to its primary business; or the Sub-Advisor shall be indicted for or shall be convicted of a violation of the Securities Act or any other United States Federal securities law or any rules or regulations thereunder that are materially related to the primary business of the Sub-Advisor; and

(vi) a representation made or deemed to have been made by the Sub-Advisor in or pursuant to the Sub-Advisory Agreement proves to have been incorrect or misleading in any material respect when made or deemed to have been made and such misrepresentation (if remediable) is not remedied on or before the 30th day after written notice of such failure is given to the Sub-Advisor.

Resignation

At any time following the Ramp-Up Completion Date, the Sub-Advisor may resign without penalty on 90 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 Basis Swap Counterparty, the Cashflow Swap Counterparty and the Trustee.

Succession to the Obligations of the Collateral Manager

If the Collateral Management Agreement is terminated for any reason, or if the Collateral Manager resigns or is terminated, then, automatically and without any further action by the Issuer, the Trustee, the Collateral

Manager, the Sub-Advisor or any other person, so long as the Sub-Advisor is an Eligible Successor (as defined in the Collateral Management Agreement), the Collateral Manager shall transfer to the Sub-Advisor, and the Sub-Advisor shall acquire from the Collateral Manager, all of the right, title and interest of the Collateral Manager in and to, and shall assume all of the obligations of the Collateral Manager under, the Collateral Management Agreement (except that certain liabilities that remain with the Collateral Manager notwithstanding such termination, removal or resignation). Except for certain liabilities and rights to reimbursements of certain fees as well as to payment of unpaid Management Fees accrued prior to such resignation, removal or termination, immediately following such transfer, (i) the Collateral Manager shall be released from the Collateral Manager's obligations under the Collateral Management Agreement and (ii) the Sub-Advisor shall be entitled to all of the Collateral Manager's rights, powers and privileges under the Collateral Management Agreement.

Conflicts

In certain circumstances, the interests of the Issuer and/or the holders of the Offered Securities with respect to matters as to which the Sub-Advisor is advising the Issuer or assisting the Collateral Manager in advising the Issuer may conflict with the interests of the Sub-Advisor and its affiliates. See "Risk Factors—Certain Conflicts of Interest—Conflicts of Interest Involving the Sub-Advisor ".

Fees

As compensation for the performance of its obligations under the Sub-Advisory Agreement, the Sub-Advisor (and/or at its direction, an affiliate of the Sub-Advisor) will be entitled, to the extent there are funds available therefor in accordance with the Priority of Payments, to receive (i) a Senior Sub-Advisory Fee (the "Senior Sub-Advisory Fee") equal to 0.10% per annum of the Quarterly Asset Amount on each Quarterly Distribution Date, (ii) a Subordinate Sub-Advisory Fee (the "Subordinate Sub-Advisory Fee" and, together with the Senior Sub-Advisory Fee, the "Sub-Advisory Fees") equal to 0.05% per annum of the Quarterly Asset Amount on each Quarterly Distribution Date and (iv) an Incentive Sub-Advisory Fee (the "Incentive Sub-Advisory 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 15% 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 (x) 20% of the sum of (a) the Interest Proceeds (if any) remaining after the payment of all amounts payable pursuant to clauses (1) through (13) 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 (8) under "Priority of Payments-Principal Proceeds" (but with respect to clause (8), solely to the extent amounts are paid thereunder in respect of unpaid amounts referred to in clauses (11), (12) and (13) of "Priority of Payments-Interest Proceeds") on such Quarterly Distribution Date, multiplied by (y) 1/3.

In addition, under the Sub-Advisory Agreement, the Sub-Advisor has the right to assign, in whole, but not in part, to any Qualified Purchaser, its rights to receive payment of the Sub-Advisory Fees payable under the Sub-Advisory Agreement (including any portion thereof not yet earned by performance); *provided* that no such assignment shall transfer any of the obligations of the Sub-Advisor under the Sub-Advisory Agreement or any other rights of the Sub-Advisor under the Sub-Advisory Agreement. The Sub-Advisor may request that such assignable payment obligations be evidenced by a promissory note of the Issuer. In such event, the Issuer shall prepare, execute and deliver to the Sub-Advisor a promissory note payable to the Sub-Advisor and its registered assigns and in a form reasonably satisfactory to the Issuer and the Collateral Manager (including appropriate legends thereon noting the transfer restrictions imposed by this paragraph and the limitations of the Priority of Payments. Transfer of any such promissory note shall be made solely by registration on the books and records of the Issuer maintained for such purpose.

INCOME TAX CONSIDERATIONS

The following is a summary based on present law of certain Cayman Islands and U.S. Federal income tax considerations for prospective purchasers of the Notes and Preference Shares. It addresses only purchasers that buy in the original offering at the original offering price, that hold the Notes or Preference Shares as capital assets and use the Dollar as their functional currency. The discussion does not consider the circumstances of particular purchasers, some of which (such as banks, insurance companies, securities traders and dealers or persons holding the Notes or Preference Shares as part of a hedge, straddle, conversion, integrated or constructive sale transaction) are subject to special tax regimes. The discussion is a general summary. It is not a substitute for tax advice.

THE STATEMENTS AS TO U.S. FEDERAL INCOME TAX CONSIDERATIONS ARE MADE TO SUPPORT THE MARKETING OF THE OFFERED SECURITIES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF AN INVESTMENT IN THE NOTES OR THE PREFERENCE SHARES UNDER THE LAWS OF THE CAYMAN ISLANDS, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS, AND ANY OTHER JURISDICTIONS WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a "Holder" is a beneficial owner of a Note or a Preference Share. A "U.S. Holder" is a Holder that is for U.S. Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other business entity organized in or under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. Federal income taxation regardless of its source. A "Non-U.S. Holder" is any Holder other than a U.S. Holder.

Taxation of the Issuer

Cayman Islands Taxation

The Issuer will not be subject to income, capital, transfer, sales or franchise tax in the Cayman Islands. The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and expects to obtain from the Governor in Cabinet of the Cayman Islands in substantially the following form:

"The Tax Concessions Law
(1999) Revision
Undertaking as to Tax Concessions

In accordance with Section 6 of the Tax Concession Law (1999 Revision) the Governor in Cabinet undertakes with Class V Funding II, Ltd. (the "Issuer"):

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

(b) In addition, that no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Issuer; or

(ii) by way of the withholding in whole or in part of any relevant payments as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of thirty years.

Governor in Cabinet"

U.S. Taxation

Freshfields Bruckhaus Deringer LLP, special U.S. Federal income tax counsel to the Issuer, believes the Issuer will not be engaged in a trade or business within the United States for U.S. Federal income tax purposes except to the extent it invests in certain Equity Securities, certain Defaulted Securities and equity securities received in an Offer issued by non-corporate entities that are so engaged. Prospective investors should be aware that an opinion of counsel is not binding on the Internal Revenue Service or the courts and that no ruling will be sought from the Internal Revenue Service regarding the U.S. Federal income tax treatment of the Issuer. Accordingly, there can be no assurance that the Internal Revenue Service will not take a position contrary to the opinion expressed by counsel or that a court will not agree with the contrary position and sustain tax penalties if the matter is litigated.

As long as the Issuer conducts its affairs so that it is not engaged in a trade or business in the United States, its net income will not be subject to U.S. Federal income tax. Should the Issuer acquire Equity Securities, certain Defaulted Securities or equity securities in an Offer issued by a non-corporate entity engaged in a U.S. trade or business, those investments should not cause the Issuer's income from other investments to become subject to net income tax in the United States. The Issuer also expects that payments received on the Collateral Debt Securities, the Eligible Investments, the Hedge Agreements, the Basis Swap Agreement, and the Cashflow Swap Agreement generally will not be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. There can be no assurance, however, that the Issuer's income will not become subject to net income or withholding taxes in the United States or other countries as the result of unanticipated activities by the Issuer, changes in law, contrary conclusions by relevant tax authorities or other causes. Income from Equity Securities of U.S. issuers, certain Defaulted Securities of U.S. issuers and equity securities of U.S. issuers received in an Offer is likely to be subject to U.S. tax. The extent to which United States or other source country withholding taxes may apply to the Issuer's income will depend on the actual composition of its assets. The imposition of unanticipated net income or withholding taxes could materially impair the Issuer's ability to pay principal, interest and other amounts on the Notes and to make distributions on the Preference Shares.

Taxation of the Holders

Cayman Islands Taxation

No Cayman Islands withholding tax applies to payments on the Notes or to distributions on the Preference Shares. Holders are not subject to any income, capital, transfer, sales, or other taxes in the Cayman Islands in respect of their purchase, holding, or disposition of the Notes or Preference Shares (except that (a) the Holder or the legal representative of such Holder whose Note is brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty under the laws of the Cayman Islands in respect of such Notes and (b) an instrument transferring title to a Note, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty).

U.S. Taxation

Notes

Freshfields Bruckhaus Deringer LLP, special U.S. Federal income tax counsel to the Issuer, believes that the Class A Notes, the Class B Notes, and the Class C Notes will, and the Class D Notes should, be treated as debt for U.S. Federal income tax purposes. The Issuer intends, and the Indenture provides that each Holder will agree, to treat all of the Notes as debt for such purposes, and the following discussion assumes that the Notes will be treated as debt.

U.S. Holders. Interest paid on a Class A Note, Class B Note or Class C Note generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting. Because interest on a Class A Note, Class B Note or Class C Note is determined at a floating rate, it is treated as accruing at a hypothetical fixed rate equal to the value of the floating rate on the issue date. The amount of interest actually recognized for any accrual period will, however, increase (or decrease) if the interest actually paid during the period is more (or less)

than the amount accrued at the hypothetical fixed rate. U.S. Holders therefore generally will recognize income for each period equal to the amount paid during that period.

The timing of income from the Class D Notes depends on whether they are considered to have been issued with original issue discount ("OID"). If a debt instrument has OID, its holder must accrue that OID into income on a constant yield basis without regard to the receipt of cash payments. Generally, a debt instrument has OID if its stated redemption price at maturity exceeds its issue price by more than a specified de minimis amount. The issue price of a debt instrument is the first offering price at which a substantial amount is sold (excluding sales to brokers or similar persons). Stated redemption price at maturity is the total of all payments due on the debt instrument other than payments of qualified stated interest.

Because interest on the Class D Notes may be deferred, stated interest on those Notes will not be treated as qualified stated interest and therefore will be treated as OID unless the likelihood of deferral is remote. The Issuer has not been able to determine that the likelihood of deferral is remote. Therefore, the Issuer will treat the Class D Notes as issued with OID that includes all stated interest as well as any excess of their par amount over issue price (since any such excess will, together with stated interest, exceed the de minimis amount). Because interest on a Class D Note is determined at a floating rate, accrual of OID is determined as though stated interest accrued at a hypothetical fixed rate equal to the value of the floating rate on the issue date, and OID for each accrual period were determined on such hypothetical fixed rate debt instrument. A U.S. Holder of a Class D Note then makes adjustments to the OID recognized in each accrual period if the interest actually payable for the period differs from the interest payable at the hypothetical rate.

Assuming the Issuer is not engaged in a U.S. trade or business, interest and OID on all the Notes will be generally from sources outside the United States.

A U.S. Holder generally will recognize gain or loss on the disposition of a Note in an amount equal to the difference between the amount realized (excluding, in the case of the Class A Notes, Class B Notes or Class C Notes, accrued but unpaid interest) and the U.S. Holder's adjusted tax basis in the Note. The gain or loss generally will be capital gain or loss from sources within the United States.

Non-U.S. Holders. Interest paid to a Non-U.S. Holder will not be subject to U.S. withholding tax as long as the Issuer is not engaged in a U.S. trade or business. Even if the Issuer were engaged in a U.S. trade or business, interest paid to many Non-U.S. Holders would qualify for an exemption from withholding tax if the holders certify their foreign status. Interest paid to a Non-U.S. Holder also will not be subject to U.S. net income tax unless such amounts are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. Gain realized by a Non-U.S. Holder on the redemption or disposition of a Note will not be subject to U.S. tax unless (i) the gain is effectively connected with the Holder's conduct of a U.S. trade or business or (ii) the Holder is an individual present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met.

Alternative Treatment. The U.S. Internal Revenue Service may challenge the treatment of the Notes, particularly the Class D Notes, as debt of the Issuer. If the challenge were to succeed, a U.S. Holder of the affected Notes would be treated like a Holder of Preference Shares that had not elected to treat the Issuer as a qualified electing fund, as described below.

Preference Shares

U.S. Holders. Subject to the passive foreign investment company rules and the controlled foreign corporation rules discussed below, a U.S. Holder generally must treat distributions received with respect to the Preference Shares as dividend income. Dividends will not be eligible for the dividends-received deduction allowable to corporations or for the preferential capital gain tax rate applicable to qualified dividend income of individuals and certain other non-corporate taxpayers. For purposes of determining a U.S. Holder's foreign tax credit limitation, dividends received from a foreign corporation generally are treated as income from sources outside the United States. If U.S. Holders together hold at least half (by vote or value) of the Preference Shares and other interests treated as equity in the Issuer, however, a percentage of the dividend income equal to the proportion of the Issuer's income that comes from U.S. sources will be treated as income from sources within the United States.

Except as otherwise required by the rules discussed below, gain or loss on the sale or other disposition of the Preference Shares will be capital gain or loss. Gain and loss realized by a U.S. Holder generally will be U.S. source income.

Passive Foreign Investment Company. The Issuer will be a passive foreign investment company (a "PFIC"). A U.S. Holder therefore will be subject to additional tax on excess distributions received on the Preference Shares or gains realized on the disposition of the Preference Shares. A U.S. Holder will have an excess distribution if distributions received on the Preference Shares during any tax year exceed 125% of the average amount received during the three preceding tax years (or, if shorter, the U.S. Holder's holding period). A U.S. Holder may realize gain for this purpose not only through a sale or other disposition, but also by pledging the Preference Shares as security for a loan or entering into certain constructive disposition transactions. To compute the tax on an excess distribution or any gain, (i) the excess distribution or gain is allocated ratably over the U.S. Holder's holding period, (ii) the amount allocated to the current tax year is taxed as ordinary income and (iii) the amount allocated to each previous tax year is taxed at the highest applicable marginal rate for that year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax. These rules effectively prevent a U.S. Holder from treating gain on the Preference Shares as capital gain.

A U.S. Holder of Preference Shares may wish to avoid the tax consequences just described by electing to treat the Issuer as a qualified electing fund ("QEF"). If the U.S. Holder makes a QEF election, the U.S. Holder will be required to include in gross income each year, whether or not the Issuer makes distributions, its *pro rata* share of the Issuer's net earnings. That income will be long-term capital gain to the extent of the U.S. Holder's *pro rata* share of the Issuer's net capital gains. The remainder will be ordinary income. "Net capital gains" generally means net long-term capital gains reduced by net short-term capital losses. Amounts recognized by a U.S. Holder making a QEF election generally are treated as income from sources outside the United States. If U.S. Holders together hold at least half (by vote or value) of the Preference Shares and other interests treated as equity in the Issuer, however, a percentage of those amounts equal to the proportion of the Issuer's income that comes from U.S. sources will be U.S. source income for the U.S. Holders. Because the U.S. Holder has already paid tax on them, the amounts previously included in income will not be subject to tax when they are distributed to the U.S. Holder. An electing U.S. Holder's basis in the Preference Shares will increase by any amounts the holder includes in income currently and decrease by any amounts not subject to tax when distributed. The Issuer will provide holders of the Preference Shares with the information needed to make a QEF election.

A U.S. Holder that makes a QEF election may recognize income in amounts significantly greater than the distributions received from the Issuer. Income may exceed distributions when, for example, the Issuer uses earnings to repay principal on the Notes or accrues original issue discount or market discount on Collateral Debt Securities. A U.S. Holder that makes a QEF election will be required to include in income currently its *pro rata* share of the earnings or discount whether or not the Issuer actually makes distributions. The holder may be able to elect to defer payment, subject to an interest charge for the deferral period, of the tax on income recognized on account of the QEF election. Prospective purchasers should consult their tax advisors about the advisability of making the QEF and deferred payment elections.

Controlled Foreign Corporation. The Issuer also may be a controlled foreign corporation (a "CFC") if U.S. Holders that each own (directly, indirectly or by attribution) at least 10% of the Preference Shares and any other interests treated as voting equity in the Issuer (each such U.S. Holder, a "10% U.S. Shareholder") together own more than 50% (by vote or value) of the Preference Shares and any other interests treated as equity in the Issuer. If the Issuer is a CFC for at least 30 consecutive days during its taxable year, a U.S. Holder that is a 10% U.S. Shareholder on the last day of the Issuer's taxable year must recognize ordinary income equal to its *pro rata* share of the Issuer's net earnings (including both ordinary earnings and capital gains) for the tax year whether or not the Issuer makes a distribution. The income will be treated as income from sources within the United States to the extent it is derived by the Issuer from U.S. sources. Earnings on which the U.S. Holder pays tax currently will not be taxed again when they are distributed to the U.S. Holder. A U.S. Holder's basis in its interest in the Issuer will increase by any amounts the holder includes in income currently and decrease by any amounts not subject to tax when distributed. If the Issuer is a CFC, (i) the Issuer will incur U.S. withholding tax on interest received from a related U.S. person, (ii) special reporting rules will apply to directors of the Issuer and certain other persons and (iii) certain other restrictions may apply. Subject to a special limitation for individual U.S. Holders that have held the Preference Shares for more than one year, gain from disposition of Preference Shares recognized by a U.S.

Holder that is (or recently has been) a 10% U.S. Shareholder will be treated as dividend income to the extent previously untaxed earnings attributed to the Preference Shares accumulated while the U.S. Holder held the Preference Shares and the Issuer was a CFC. If the Issuer is a CFC, a 10% U.S. Shareholder will not be subject to the PFIC rules. Each prospective purchaser should consult its tax advisor about the application of the PFIC and CFC rules to its particular situation.

U.S. Holders generally must report, with their tax return for the tax year that includes the Closing Date, certain information relating to their purchase of the Preference Shares on IRS Form 926. **In the event that 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).** A U.S. Holder may be required specifically to disclose any loss on the Preference Shares on its tax return under recent regulations on tax shelter transactions. When the U.S. Holder holds 10% of the shares in a CFC or QEF, the holder also must disclose any Issuer transactions reportable under those regulations. The Issuer expects to provide holders of the Preference Shares with information about Issuer transactions reportable under those regulations. U.S. Holders are urged to consult their tax advisors about these and all other specific reporting requirements.

Non-U.S. Holders. Distributions to a Non-U.S. Holder of Preference Shares will not be subject to U.S. tax unless the distributions are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. Gain realized by a Non-U.S. Holder on the sale or other disposition of the Preference Shares will not be subject to U.S. tax unless (i) the gain is effectively connected with the holder's conduct of a U.S. trade or business or (ii) the holder is an individual present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met.

Tax-Exempt Investors

Special considerations apply to pension plans and other investors that are subject to tax only on their unrelated business taxable income ("UBTI"). A tax-exempt investor's interest income and gain from the Notes and Preference Shares generally would not be treated as UBTI if the investor's investment in the Notes or Preference Shares is not debt-financed. However, a tax-exempt investor in Notes that also owns (directly, indirectly or by attribution) more than 50% (by vote or value) of the Preference Shares should consider the possible application of the special UBTI rules for interest received from controlled entities. Each prospective tax-exempt investor should consult its own tax advisor regarding the tax consequences to it of an investment in the Notes or the Preference Shares.

U.S. Information Reporting and Backup Withholding

Payments of principal of and interest on the Notes, distributions on the Preference Shares and proceeds from the disposition of the Notes or Preference Shares paid to a non-corporate Holder generally will be subject to U.S. information reporting. Payments to Non-U.S. Holders that provide certification of foreign status generally are exempt from information reporting. Backup withholding tax may apply to reportable payments unless the Holder provides a correct taxpayer identification number or otherwise establishes an exemption. Any amount withheld may be credited against a Holder's U.S. Federal income tax liability or refunded to the extent it exceeds the Holder's liability.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES OR THE PREFERENCE SHARES UNDER THE INVESTOR'S OWN CIRCUMSTANCES.

ERISA CONSIDERATIONS

THE STATEMENTS ABOUT U.S. FEDERAL TAX ISSUES ARE MADE TO SUPPORT MARKETING OF THE NOTES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN NOTES UNDER THE LAWS OF THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA") imposes certain duties on persons who are fiduciaries of employee benefit plans (as defined in Section 3(3) of ERISA) ("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, U.S. Department of Labor regulations provide that the fiduciaries of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan's purposes, an examination of the risk and return factors, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan and the projected return of the total portfolio relative to the ERISA Plan's funding objectives. Before investing the assets of an ERISA Plan in Offered Securities, a fiduciary should determine whether such an investment is consistent with the foregoing regulations and its fiduciary responsibilities, including any specific restrictions to which such fiduciary may be subject.

Section 406(a) of ERISA and Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code") prohibit certain transactions ("prohibited transactions") involving the assets of ERISA Plans or plans described in Section 4975(e)(1) of the Code (together with ERISA Plans, "Plans") and certain persons (referred to as "Parties-In-Interest" in ERISA and as "Disqualified Persons" in Section 4975 of the Code) having certain relationships to such plans and entities. A Party-In-Interest or Disqualified Person who engages in a non-exempt prohibited transaction may be subject to non-deductible excise taxes and other penalties and liabilities under ERISA and/or the Code.

Each of the Issuer, the Co-Issuer, the Initial Purchaser, the Collateral Manager and the Sub-Advisor 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 Sub-Advisor, 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 a Note and the circumstances under which such decision is made. Included among these exemptions are PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14, regarding transactions effected by a "qualified professional asset manager"; PTE 96-23, regarding investments by certain in-house asset managers; and PTE 95-60, regarding investments by insurance company general accounts. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. If a purchase of Notes were to be a non-exempt prohibited transaction, the purchase might have to be rescinded.

Government plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to local, state or other Federal laws that are similar to the foregoing provisions of ERISA and the Code (a "Similar Law").

The United States Department of Labor, the government agency primarily responsible for administering the ERISA fiduciary rules and the prohibited transaction rules under ERISA and the Code, has issued a regulation (the "Plan Asset Regulation") that, under specified circumstances, requires plan fiduciaries, and entities with certain specified relationships to a Plan, to "look through" investment vehicles (such as the Issuer) and treat as an "asset" of the Plan each underlying investment made by such investment vehicle. The Plan Asset Regulation provides, however, that if equity participation in any entity by "Benefit Plan Investors" is not significant then the "look-through" rule will not apply to such entity. "Benefit Plan Investors" are defined in the Plan Asset Regulation to include (1) any employee benefit plan (as defined in Section 3(3) of ERISA), whether or not subject to Title I of ERISA, (2) any plan described in Section 4975(e)(1) of the Code, and (3) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity. Equity participation by Benefit Plan Investors in an entity is significant if, immediately after the most recent acquisition of any equity 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 and the Sub-Advisor), 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 Class A Notes, the Class B Notes or the Class C Notes will constitute "equity interests" in the Co-Issuers. Based primarily on the investment-grade rating of the Class D Notes, the unconditional obligation of the Co-Issuers to pay interest and to repay principal by a fixed maturity date and the creditors' remedies available to holders of the Class D Notes, it is anticipated that the Class D Notes should not constitute "equity interests" in the Co-Issuers, despite their subordinated position in the capital structure of the Co-Issuers. No measures will be taken to restrict investment in the Class D Notes by Benefit Plan Investors. It should be noted that the debt treatment of the Notes 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.

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 (excluding Preference Shares 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 held by Benefit Plan Investors 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 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 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 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. The Preference Share Documents 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 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.

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 because one or more such Plans is an owner of Class D Notes or Preference Shares, certain transactions that either of the Co-Issuers might enter into, or may have entered into, in the ordinary course of its business might constitute non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code and might have to be rescinded. In addition, if the assets of the Issuer are deemed to be "plan assets" of a Plan subject to Title I of ERISA or Section 4975 of the Code, the payment of certain of the fees payable to the Collateral Manager and the Sub-Advisor 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, the Sub-Advisor 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, A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE CODE, AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY 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, 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. 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.

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.

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), funds allocated to the general account of an insurance company pursuant to a contract with an employee benefit plan that vary with the investment experience of the insurance company may under certain circumstances be treated as "plan assets." Any insurance company proposing to invest assets of its general account in the Offered Securities should consider the extent to which such investment would be subject to the requirements of ERISA in light of the John Hancock decision and the 1996 enactment of section 401(c) of ERISA. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the Department of Labor for transactions involving insurance company general accounts in Prohibited Transaction Class Exemption ("PTCE") 95-60 (60 Fed. Reg. 35925; Jul. 12, 1995) and the regulations issued by the Department of Labor, 29 C.F.R. section 2550.401c-1.

In the preamble to PTCE 95-60, the Department of Labor noted that, for purposes of calculating the 25% threshold under the significant participation test of the Plan Asset Regulation, only the proportion of an insurance company general account's equity investment in the entity that represents plan assets should be taken into account. Although the Department of Labor has not specified how to determine the proportion of an insurance company general account that represents plan assets for purposes of the 25% threshold, it has, in the case of PTCE 95-60, provided a method for determining the percentage of an insurance company's general account held by the benefit plans of an employer and its affiliates by comparing the reserves and liabilities for the general account contracts held by such plans to the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus. However, there is no assurance that a similar measurement would be used for purposes of applying the 25% threshold. Any insurance company using general account assets to purchase Preference Shares will be required to identify the maximum percentage of the assets of the general account that may be or become plan assets.

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 Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes and all of the Preference Shares, as set forth in the Purchase Agreement. 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. The obligations of the Initial Purchaser under the Purchase Agreement are subject to the satisfaction of certain conditions set forth in the Purchase Agreement. Pursuant to the Purchase Agreement, each of the Co-Issuers will agree to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchaser may be required to make in respect thereof. The Offered 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 (A) to sell the Notes (a) in the United States in reliance upon an exemption from the registration requirements of the Securities Act to Qualified Purchasers who are also Qualified Institutional Buyers 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 and (B) to sell the Preference Shares (a) in the United States in reliance upon an exemption from the registration requirements of the Securities Act to Qualified Purchasers who are also Qualified Institutional Buyers and (b) outside the United States to persons who are Qualified Institutional Buyers but who are not U.S. Persons (as defined in Regulation S), in offshore transactions in reliance on Regulation S.

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 Regulation S or as provided in paragraph (2) below. Accordingly, the Initial Purchaser will represent and agree that neither it, its affiliates (if any) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to Offered Securities, and it and they have complied and will comply with the offering restrictions requirements of Regulation S.

(2) In the Purchase Agreement, the Initial Purchaser will agree that it will not, acting either as principal or agent, offer or sell any Offered Securities in the United States other than Offered Securities in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Offered Securities (or approve the resale of any of such Offered Securities):

(a) except (1) inside the United States through a U.S. broker dealer that is registered under the Exchange Act to investors each of which the Initial Purchaser reasonably believes is a Qualified Institutional Buyer 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; the final Offering Circular; with respect to the Class A-1 Notes, the Class A-1 Notes Supplement; and, with respect to the Class A-2A Notes and the Class A-2B Notes, the Class A-2 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.

United Kingdom

The Initial Purchaser will also represent and agree as follows:

(1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Offered Securities in circumstances in which Section 21(1) of said Act would not, if each of the Co-Issuers were not an authorized person, apply to the Co-Issuers; and

(2) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Offered Securities in, from or otherwise involving the United Kingdom.

Cayman Islands

The Initial Purchaser will represent and agree that it has not made and will not make any invitation to the public in the Cayman Islands to subscribe for any of the Offered Securities.

Hong Kong

The Initial Purchaser will also represent and agree as follows:

(1) that it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, the Notes other than to persons whose ordinary business it is to buy or sell shares of debentures (whether as principal or agent) or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong (the "Companies Ordinance"); and

(2) unless it is a person permitted to do so under the securities laws of Hong Kong, it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purpose of issue, in Hong Kong, any advertisement, invitation or document relating to the Notes, other than with respect to Notes intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal, or holdings of securities, whether as principal or agent.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Offered Securities or the possession, circulation or distribution of this Offering Circular, the 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 Notes

Investors may hold their interests in a Regulation S Global Note 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 Notes 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 Note 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 depository (or its nominee) for a Global Note is the registered holder of such Global Note, such depository or such nominee, as the case may be, will be considered the absolute owner or holder of such Global Note for all purposes under the Indenture and Participants as well as any other persons on whose behalf Participants may act (including Euroclear and Clearstream and account holders and participants therein) will have no rights under the related Global Note, the Indenture or the Preference Share Documents. Owners of beneficial interests in a Global Note will not be considered to be the owners or holders of the related Global Note, 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 Note will be able to exchange or transfer that interest, except in accordance with the applicable procedures of the depository and (in the case of a Regulation S Global Note) Euroclear or Clearstream (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 Note registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the Global Note. Except for the responsibilities of the Transfer Agent with respect to the Class A-1 Notes described in the Class A-1 Notes Supplement and the Class A-2 Notes in the Class A-2 Notes Supplement, none of the Issuer, the Trustee, the Collateral Manager, the Sub-Advisor, the Note Registrar, the Preference Share Paying Agent and any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

With respect to the Global Notes, the Issuer expects that the depository for any Global Note or its nominee, upon receipt of any payment or distribution on such Global Note, will immediately credit the accounts of Participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of the depository or its nominee. The Issuer also expects that payments by Participants to owners of beneficial interests in such Global Notes held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the 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 Note will be exchangeable or transferable, as the case may be, for a Definitive Note if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Security, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depository is not appointed by the Issuer within 90 days, (c) the transferee of an interest in such Global Note is required by law to take physical delivery of securities in definitive form, (d) there is an Event of Default under the Notes or (e) the transferee is otherwise unable to pledge its interest in a Global Note. Because DTC can only act on behalf of Participants, which in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may require that such interest in a Global Note be exchanged for a Definitive Note.

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 depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in a Regulation S Global Note 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 Note by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

DTC has advised the 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 Note are credited and only in respect of such portion of the aggregate outstanding principal amount of the Notes or of the number of Preference Shares (as the case may be) as to which such Participant or Participants has or have given such direction.

DTC, Euroclear and Clearstream

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

The information herein concerning DTC, Clearstream and Euroclear and their book-entry systems has been obtained from sources believed to be reliable, but none of the Co-Issuers, the Collateral Manager, the Sub-Advisor 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 Notes 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, the Sub-Advisor 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 a Note (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, 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) duly executed transferor and transferee certifications in the form of the relevant exhibit attached to the Indenture or the Preference Share Paying Agency Agreement, as applicable, and such other certificates and other information as the Issuer, the Trustee (in the case of the Notes) or the Preference Share Paying Agent (in the case of the Preference Shares) may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular and in the Indenture or the Preference Share Documents, as applicable. 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 and a transferee of a beneficial interest in a Class A-2A Note or a Class A-2B Note will be required to comply with the certification requirements described in the Class A-2 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 and no representation is made as to the availability of any exemption under the Securities Act or the permissibility of resale or other transfer under the laws of any jurisdiction.

(5) *Investment Intent*. In the case of a purchaser of a Restricted Security (or any interest therein), it is a Qualified Institutional Buyer that is a Qualified Purchaser, and it is acquiring such Restricted Security (or any interest therein) for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). In the case of a purchaser of a Regulation S Security (or any interest therein), it is not a U.S. Person and is purchasing such Regulation S Security (or any interest therein), as applicable, 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. In the case of a purchaser of a Preference Share, it is a Qualified Institutional Buyer.

(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, the Sub-Advisor or any of their respective affiliates or representatives (*provided* that no such representation is made with respect to the Collateral Manager or the Sub-Advisor or their respective investment advisory affiliates, or by any affiliate of the Collateral Manager or the Sub-Advisor or any account advised or managed by the Collateral Manager or the Sub-Advisor or any of their respective investment advisory affiliates) and (d) has determined that an investment in Offered Securities is suitable and appropriate for it. The purchaser has received and reviewed the contents of, this Offering Circular. The purchaser has had access to such financial and other information concerning the Issuer and the Offered Securities as it has deemed necessary to make its own independent decision to purchase Offered Securities, including the opportunity, at a reasonable time prior to its purchase of Offered Securities, to ask questions and receive answers concerning the Issuer, the Co-Issuer and the terms and conditions of the offering of the Offered Securities.

(7) *Certain Resale Limitations.* The purchaser is aware that no Offered Security (nor any interest therein) may be offered or sold, pledged or otherwise transferred:

(a) in the United States or to a U.S. Person, except to a transferee (i)(A) that the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (ii) that is a Qualified Purchaser;

(b) to a transferee acquiring an interest in a Regulation S Global Note 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 Regulation S;

(c) solely in the case of Preference Shares, (i) except to a transferee that is a Qualified Institutional Buyer and (ii) solely in the case of Preference Shares, after the initial placement of the Preference Shares, to a transferee who is a Benefit Plan Investor or a Controlling Person; or

(d) except in compliance with the other requirements set forth in the Indenture, the Preference Share Documents (as applicable), the Notes or Preference Shares (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 and each transferee of a Class A-2A Note or a Class A-2B Note (or interest therein) will be deemed to have acknowledged and agreed to the representations and transfer restrictions in the Class A-2 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 any interest therein) except to a transferee

that is a Qualified Purchaser, (ii) to a transferee acquiring a Regulation S Security (or any interest therein) except to a transferee that is not a U.S. Person or (iii) if such transfer would have the effect of requiring either of the Co-Issuers or the Collateral to be registered as an investment company under the Investment Company Act. If the purchaser is a U.S. Person that is an entity that would be an investment company but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (any such entity, an "excepted investment company") (a) all of the beneficial owners of outstanding securities (other than short-term paper) of such entity (such beneficial owners determined in accordance with Section 3(c)(1)(A) of the Investment Company Act) that acquired such securities on or before April 30, 1996 ("pre-amendment beneficial owners") and (b) all pre-amendment beneficial owners of the outstanding securities (other than short-term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such entity, have consented to such entity's treatment as a Qualified Purchaser in accordance with the Investment Company Act.

(10) *ERISA.* In the case of a purchaser of a Note, either (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 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, an entity which is deemed to hold the assets of any such plan pursuant to 29 C.F.R. section 2510.3-101, which plan or entity is subject to Title I of ERISA or Section 4975 of the Code, or a governmental or church plan which is subject to any Similar Law, or (b) its 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 governmental or church plan, will not constitute a violation of such Similar Law).

In the case of a purchaser of a Preference Share in the initial placement, if such purchaser is a Benefit Plan Investor that is subject to Title I of ERISA, Section 4975 of the Code or any Similar Law, its acquisition and holding of 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.

Each Original Purchaser of a Preference Share (or any interest therein) understands and agrees that no sale, pledge or other transfer of a Preference Share may be made after the initial placement of the Preference Shares to a Benefit Plan Investor or a Controlling Person.

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 Title I of ERISA or such Similar Law.

(11) *Limitations on Flow-Through Status.* It is (a) not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (b) if it is a Qualifying Investment Vehicle, (x) it has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Offered Securities) and (y) either (1) none of the beneficial owners of its securities is a U.S. Person or (2) some or all of the beneficial owners of its securities are U.S. Persons and each such beneficial owner has certified to the purchaser that such owner is a Qualified Purchaser. A purchaser is a "Flow-Through Investment Vehicle" if: (i) in the case of a purchaser that would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, the amount of the purchaser's investment in the Offered Securities exceeds 40% of the total assets (determined on a consolidated basis with its subsidiaries) of the purchaser, (ii) any person owning any equity or similar interest in the purchaser has the ability to control any investment decision of the purchaser (other than a general partner or similar entity) or to determine, on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser, (iii) the purchaser was organized or reorganized for the specific

purpose of acquiring any Offered Securities or (iv) additional capital or similar contributions were specifically solicited from any person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase any Note or Preference Share. 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, the Sub-Advisor and the Note Registrar (in the case of the Notes) and neither the Issuer nor the Preference Share Paying Agent (in the case of the Preference Shares) has any obligation to recognize any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation.

(13) *Cayman Islands.* The purchaser is not a member of the public in the Cayman Islands.

(14) *Tax Treatment.* The purchaser acknowledges that it is its intent as well as the intent of the Issuer to treat the Notes as indebtedness of the Issuer and not of the Co-Issuer and the Preference Shares as equity in the Issuer and not in the Co-Issuer. The purchaser further agrees to report all income (or loss) in accordance with such treatment and not to take any action inconsistent with such treatment except as otherwise required by any relevant taxing authority.

(15) If it is not a "United States person" as defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended, it is not acquiring a Note or Preference Share as part of a plan to reduce, avoid or evade U.S. federal income taxes owed, owing or potentially owed or owing.

(16) *Legend.* Each purchaser of a Note (or any beneficial interest therein) understands and agrees that a legend in substantially the following form will be placed on each Note:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QUALIFIED INSTITUTIONAL BUYER") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER OF THE CO-ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF A NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OR (II) A COMPANY EACH OF WHOSE

BENEFICIAL OWNERS IS A "QUALIFIED PURCHASER" (ANY PERSON DESCRIBED IN CLAUSES (I) OR (II), A "QUALIFIED PURCHASER"), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER WOULD BE MADE TO A PERSON THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE) AND IF IT IS A QUALIFYING INVESTMENT VEHICLE EITHER NONE OF THE BENEFICIAL OWNERS OF ITS SECURITIES IS A U.S. PERSON OR SOME OR ALL OF THE BENEFICIAL OWNERS OF ITS SECURITIES ARE U.S. PERSONS AND EACH SUCH BENEFICIAL OWNER HAS CERTIFIED THAT SUCH OWNER IS A QUALIFIED PURCHASER OR (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF ANY) ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO BELOW. 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"), AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS 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 LAW). THIS NOTE AND ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN THE PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

The legend set forth on any Restricted Note will also have the following:

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THE INDENTURE, EITHER OF THE CO-ISSUERS DETERMINES THAT ANY BENEFICIAL OWNER OF A RESTRICTED NOTE (OR ANY INTEREST THEREIN) (A) IS A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND (B) IS NOT BOTH (I) A QUALIFIED INSTITUTIONAL BUYER 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 COMMERCIALLY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(b) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE CO-ISSUERS AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER AND (2) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS

WILL BE MADE IN RESPECT OF SUCH NOTE (OR INTEREST THEREIN) HELD BY SUCH BENEFICIAL OWNER.

IN ADDITION, NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NONE OF THE TRUSTEE, THE NOTE REGISTRAR 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.

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) 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 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:

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 OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") THAT IS ALSO A QUALIFIED INSTITUTIONAL BUYER, (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE ISSUER CHARTER AND THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF A PREFERENCE SHARE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OR (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A QUALIFIED PURCHASER (ANY PERSON DESCRIBED IN EITHER OF CLAUSES (I) OR (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 PLACEMENT OF THE PREFERENCE SHARES, TO A BENEFIT PLAN INVESTOR (AS DEFINED IN THE PLAN ASSET REGULATION OF THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101(F) (A "BENEFIT PLAN INVESTOR")) 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 PERSON WHICH IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE TRANSFER CERTIFICATE ATTACHED TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT) AND IF IT IS A QUALIFYING INVESTMENT VEHICLE EITHER NONE OF THE BENEFICIAL OWNERS OF ITS SECURITIES IS A U.S. PERSON OR SOME OR ALL OF THE BENEFICIAL OWNERS OF ITS SECURITIES ARE U.S. PERSONS AND EACH SUCH BENEFICIAL OWNER HAS CERTIFIED THAT SUCH OWNER IS A QUALIFIED PURCHASER OR (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 LETTER, AS APPLICABLE, ATTACHED AS AN EXHIBIT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN. EACH ORIGINAL PURCHASER OF PREFERENCE SHARES WILL BE REQUIRED TO 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 (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF A MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW). ACCORDINGLY, AN INVESTOR IN PREFERENCE SHARES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

EACH TRANSFEREE OF PREFERENCE SHARES (OR A BENEFICIAL INTEREST THEREIN) AFTER THE INITIAL PURCHASE THEREOF WILL BE REQUIRED TO CERTIFY (OR, IN CERTAIN CIRCUMSTANCES, REPRESENT AND WARRANT) THAT IT IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. THE ISSUER MAY REQUIRE ANY PERSON ACQUIRING PREFERENCE SHARES (OR A BENEFICIAL INTEREST THEREIN) AFTER THE INITIAL PLACEMENT OF THE PREFERENCE SHARES WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON 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.

"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 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.

The legend set forth on any Restricted Preference Share will also have the following:

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN (I) IS NOT (A) A QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO A QUALIFIED PURCHASER OR (B) A QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO NOT A U.S. PERSON, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURITY (OR INTEREST HEREIN) TO A PERSON THAT IS EITHER (A) A QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO A QUALIFIED PURCHASER OR (B) A QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO NOT A U.S. 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 THIS SECURITY TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE (CONDUCTED BY THE PREFERENCE SHARE PAYING AGENT IN ACCORDANCE WITH SECTION 9-610(b) OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE PREFERENCE SHARE PAYING AGENT, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER AND (2) A QUALIFIED PURCHASER, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE PREFERENCE SHARES.

(18) *Reliance on Representations, etc.* The purchaser acknowledges that the Issuer, the Co-Issuer, the Initial Purchaser, the Trustee, the Collateral Manager, the Sub-Advisor, the Note Registrar, the Preference Share Paying Agent 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.

(19) *Class A-1 Notes and Class A-2 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 and each Original Purchaser of Class A-2A Notes and Class A-2B Notes will be deemed to make the representations set forth in the Class A-2 Notes Supplement. The Class A-1 Notes Supplement will be delivered to each Original Purchaser of Class A-1 Notes and the Class A-2 Notes Supplement will be delivered to each Original Purchaser of Class A-2A Notes and Class A-2B Notes. The legends in respect of the Class A-1 Notes will be further modified as described in the Class A-1 Notes Supplement,

and the legends in respect of the Class A-2A Notes and the Class A-2B Notes will be further modified as described in the Class A-2 Notes Supplement.

Notwithstanding the foregoing, on the Closing Date the Issuer intends to allow a single investor acquiring an interest in Preference Shares that is not a U.S. Person and not a Qualified Institutional Buyer to make alternative representations, as described in "Risk Factors—Investment Company Act", without such investor's interest being subject to forced sale so long as it remains a non-U.S. Person.

Investor Representations on Resale

Except as provided below, each transferor and transferee of an Offered Security will be required to deliver a duly executed certificate in the form of the relevant exhibit attached to the Indenture or the Preference Share Paying Agency Agreement, as the case may be, and such other certificates and other information as the Issuer, the Co-Issuer, the Trustee or the Preference Share Paying Agent may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular and the Indenture or the Preference Share Documents, as applicable.

An owner of a beneficial interest in a Restricted Global Note may transfer such interest in the form of a beneficial interest in such Restricted Global Note without the provision of written certification. An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification. Each transferee of a beneficial interest in a Global Note 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 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 (18) 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 to the Issuer and the Preference Share Paying Agent (in the case of a Preference Share) as follows:

(1) In the case of a transferee who takes delivery of a Restricted Security (or a beneficial interest therein), it is a Qualified Institutional Buyer and also a Qualified Purchaser and is acquiring such Restricted Security (or beneficial interest therein) for its own account and is aware that such transfer is being made to it in reliance on Rule 144A. In addition, if such transferee is acquiring a beneficial interest in a Restricted Global Note, it (i) is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.$25,000,000 in securities of issuers that are not affiliated persons of the dealer, (ii) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan and (iii) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee.

(2) In the case of a transferee who takes delivery of a Regulation S Security (or a beneficial interest therein), (a) it is not a U.S. Person and is acquiring such Regulation S Security (or a beneficial interest therein), for its own account and not for the account or benefit of a U.S. Person in an offshore transaction in accordance with Regulation S and (b) if such Regulation S Security is a Regulation S Preference Share, it is a Qualified Institutional Buyer.

(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 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 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.

LISTING AND GENERAL INFORMATION

1. Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Daily Official List of the Irish Stock Exchange. Application will be made to list the Preference Shares on the Channel Islands Stock Exchange. There can be no assurance that either such listing will be granted.

2. Following the date of the final Offering Circular and for so long as any Notes of the Issuer and Co-Issuer 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, the Sub-Advisory Agreement, each Hedge Agreement, if any, the Basis Swap Agreement and the Cashflow Swap Agreement will be available for inspection and the transfer certificates will be available for inspection in physical form and will be obtainable at the office of the Issuer in the Cayman Islands, where copies thereof may be obtained upon request.

3. If and for so long as any Notes are listed on the Irish Stock Exchange, copies of the Articles of the Issuer, 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, the Sub-Advisory 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 will be available for inspection during the term of the Notes at the office of the Trustee and at the offices of the Irish Paying Agent located in Dublin, Ireland.

4. The Issuer is not required by Cayman Islands law and the Issuer does not intend, to publish annual reports and accounts. The Co-Issuer is not required by Delaware State law, and the Co-Issuer does not intend, to publish annual reports and accounts. Accordingly, financial statements of the Co-Issuers will be neither prepared nor made available at the office of the Channel Islands Listing Agent. The Indenture, however, requires the Issuer to provide the Trustee, the Preference Share Paying Agent, each Hedge Counterparty, the Basis Swap Counterparty, the Cashflow Swap Counterparty, each Noteholder and Preference Shareholder with written confirmation, on an annual basis, that to the best of its knowledge following review of the activities of the prior year, the Issuer has fulfilled all of its obligations under the Indenture throughout the period, or, if there has been an Event of Default, specifying each such Event of Default known to the Issuer and the nature and status thereof, including actions undertaken to remedy the same.

5. Each of the Co-Issuers represents that, as of the date of this Offering Circular, there has been no material adverse change in its financial position since its date of creation.

6. Neither of the Co-Issuers is involved, or has been involved since incorporation, in any litigation or arbitration proceedings relating to claims on amounts which may have or have had a material effect on the Co-Issuers in the context of the issue of the Offered Securities, nor, so far as such Co-Issuer is aware, is any such 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 May 15, 2006. The issuance of the Notes was authorized by the Board of Directors of the Co-Issuer on May 15, 2006. Since incorporation, neither the Issuer nor the Co-Issuer has commenced trading, established any accounts or declared any dividends, except for the transactions described herein relating to the issuance of the Offered Securities.

SECURITIES IDENTIFICATION NUMBERS

Offered Securities sold in offshore transactions in reliance on Regulation S that are Regulation S Global Notes have been accepted for clearance through Euroclear and Clearstream. The table below lists the Common Code Numbers, the CUSIP (CINS) Numbers and the International Securities Identification Numbers (ISIN) for Offered Securities represented by Regulation S Global Notes and Regulation S Preference Shares and the CUSIP Numbers for Offered Securities represented by Restricted Global Notes and Restricted Preference Shares.

	Regulation S Common Codes	Regulation S Global Note/ Regulation S Preference Share CUSIP Numbers	Restricted Global Note/ Restricted Preference Share CUSIP Numbers	International Securities Identification Numbers
Class A-1 Notes	025477464	G2283GAA9	18272YAA6	Restricted: US18272YAA64 Reg S: USG2283GAA97
Class A-2A Notes	025492501	G2283GAB7	18272YAC2	Restricted: US18272YAC21 Reg S: USG2283GAB70
Class A-2B Notes	025484266	G2283GAF8	18272YAE8	Restricted: US18272YAE86 Reg S: USG2283GAF84
Class B Notes	025484428	G2283GAC5	18272YAG3	Restricted: US18272YAG35 Reg S: USG2283GAC53
Class C Notes	025484479	G2283GAD3	18272YAJ7	Restricted: US18272YAJ73 Reg S: USG2283GAD37
Class D Notes	025484525	G2283GAE1	18272YAL2	Restricted: US18272YAL20 Reg S: USG2283GAE10
Preference Shares	N/A	G22835105	18273A208	Restricted: US18273A2087 Reg S: KYG228351055

LEGAL MATTERS

Certain legal matters with respect to the Offered Securities will be passed upon for the Issuer by Freshfields Bruckhaus Deringer LLP, New York, New York. Certain matters with respect to Cayman Islands corporate law and tax law will be passed upon for the Issuer by Walkers. Certain legal matters with respect to the Collateral Manager will be passed upon by White & Case, LLP, New York, New York.

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 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.

"**Accrued Interest**" means, as of any Quarterly Distribution Date, the sum of the Class A-1 Accrued Interest, the Class A-2 Accrued Interest, the Class B 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.

"**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 in (x) the table corresponding to the relevant Specified Type of CDO Obligation or Other ABS, (y) the column in such table setting forth the Moody's Rating of such

Collateral Debt Security as of the date of issuance of such Collateral Debt Security and (z) the row in such table opposite the 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 if the Collateral Debt Security is a Synthetic Security or a Deemed Floating Rate 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, and (b) an amount equal to the percentage for such Collateral Debt Security (*provided* that for all subsequent purchases of identical Collateral Debt Securities, the Applicable Recovery Rate for such Collateral Debt Security shall remain the same) set forth in the Standard & Poor's recovery rate matrix set forth in Part II of Schedule A hereto in (x) the applicable table, (y) the row in such table opposite the Standard & Poor's Rating of such Collateral Debt Security as of the date on which the Issuer acquired such Collateral Debt Security (or, in the case of a Defaulted Security or Deferred Interest PIK Bond, the Standard & Poor's Rating at 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 if such Collateral Debt Security is a Synthetic Security, the recovery rate will be that assigned by Standard & Poor's at the time of acquisition of such Synthetic Security.

"**Asset-Backed CDO Obligations**" means CDO Obligations 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 CDO Obligations) on the cash flow from a portfolio consisting primarily of Asset-Backed Securities.

"**Asset-Backed Securities**" means debt obligations or debt securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from (a) a specified pool of financial assets, either static or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities or (b) real estate mortgages, either static or revolving, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities; *provided* that, in the case of clause (b), such Asset-Backed Security does not entitle the holder to a right to share in the appreciation in value of or the profits generated by the related real estate assets.

"**Auction Rate Agency and Amending Agreement**" means the Auction Rate Agency and Amending Agreement dated as of the Closing Date among the Co-Issuers, the Trustee, and the Auction Rate Agent whereby the Indenture is amended and the Auction Rate Agent undertakes to perform certain tasks specified therein on behalf of the Co-Issuers.

"**Auction Rate Agent** " means Wilmington Trust Company, a Delaware banking corporation, and any successor appointed as Auction Rate Agent pursuant to the Auction Rate Agency and Amending Agreement.

"**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.

"**Basis Swap Agreement**" means the basis swap agreement under which the Issuer will be entitled to receive from the Basis Swap Counterparty scheduled monthly payments calculated by reference to a notional amount multiplied by an interest rate based on one-month LIBOR (reset on a monthly basis) and the Basis Swap Counterparty is entitled to receive from the Issuer scheduled quarterly payments computed by reference to a notional amount multiplied by an interest rate based on three-month LIBOR (reset on a quarterly basis), as more fully described in the Class A-1 Notes Supplement and Class A-2 Notes Supplement to this Offering Circular.

"**Basis Swap Counterparty**" means (a) the Initial Basis Swap Counterparty or (b) any permitted assignee or successor under the Basis Swap Agreement, as more fully described in the Class A-1 Notes Supplement and Class A-2 Notes Supplement to this Offering Circular.

"**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 the Sequential Pay Ratio 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.

"**Cashflow Swap Agreement**" means the cashflow swap agreement with respect to payments of accrued and unpaid interest on the Class A-1 Notes, Class A-2 Notes, Class B 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 is withdrawn, suspended or 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 is withdrawn, suspended or 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 the 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 scheduled 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), determined without giving effect to any 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 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 "AA-" 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 (a) High-Diversity CBO/CLO Securities and (b) Low-Diversity CBO/CLO Securities.

"**CDO Obligation**" means an Asset-Backed Security issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of commercial and industrial bank loans, obligations and debt securities subject to specified investment and management criteria.

"**CDO of CDOs**" means a CDO Obligation the terms of which permit the Underlying Portfolio to consist of more than 50% of CDO Obligations.

"**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 on such Quarterly Distribution Date to make payments under paragraph (4) of the Priority of Payments applicable to Principal Proceeds multiplied by (b) the sum of the aggregate outstanding amount of the Class A-1 Notes, Class A-2A Notes, Class A-2B Notes, Class B Notes and Class C Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Quarterly Distribution Date, including from Interest Proceeds, prior to paragraph (4) of the Priority of Payments applicable to Principal Proceeds) divided by (c) the sum of (i) the aggregate outstanding amount of the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C

Note and Class D Notes (excluding Class D Deferred Interest, if any) (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Quarterly Distribution Date, including from Interest Proceeds, prior to paragraph (4) of the Priority of Payments applicable to Principal Proceeds); *provided* that, if the aggregate outstanding amount of the Class A-1 Notes, Class A-2A Notes, Class A-2B Notes, Class B Notes and Class C Notes is zero, the Class A/B/C Pro Rata Principal Payment Cap shall be zero.

"**Class A-1 Accrued Interest**" means, as of any Quarterly Distribution Date, an amount equal to the product of (a) the Class A-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 A-1 Reimbursement Amount" minus the amount calculated for such Quarterly Distribution Date under clause (ii)(3) of the definition of "Class A-1 Reimbursement Amount" multiplied by (c) the applicable day count fraction for the Interest Period ending on such Quarterly Distribution Date.

"**Class A-1 Auction Termination Date**" has the meaning set forth in the Class A-1 Notes Supplement.

"**Class A-1 Other Amounts**" means the fees, expenses and other amounts payable by the Issuer, in respect of the Class A-1 Notes pursuant to the Auction Rate Agency and Amending Agreement.

"**Class A-1 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 pursuant to pursuant to clause (5)(*first*) of "Priority of Payments—Interest Proceeds" to the payment of the Interest Distribution Amount with respect to the Class A-1 Notes.

"**Class A-1 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-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 A-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)(*first*) of "Priority of Payments—Interest Proceeds" and clause (1) of "Priority of Payments—Principal Proceeds" plus (4) Class A-1 Accrued Interest for the related Interest Period.

"**Class A-1 Swap Interest Rate**" means as of any Quarterly Distribution Date so long as any of the Class A-1 Notes are outstanding, the interest rate applicable to the Class A-1 Notes as of such Quarterly Distribution Date, and for each Quarterly Distribution Date after the Class A-1 Notes cease to be outstanding, LIBOR plus 0.95%.

"**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 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 pursuant to clause (5)(*second*) of "Priority of Payments—Interest Proceeds" 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)(*second*) of "Priority of Payments—Interest Proceeds" and clause (1) of "Priority of Payments—Principal Proceeds" 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 0.95%.

"**Class A-2A Other Amounts**" means the fees, expenses and other amounts payable by the Issuer, in respect of the Class A-2A Notes pursuant to the Auction Rate Agency and Amending Agreement.

"**Class A-2B Other Amounts**" means the fees, expenses and other amounts payable by the Issuer, in respect of the Class A-2B Notes pursuant to the Auction Rate Agency and Amending Agreement.

"**Class A-2A Auction Termination Date**" has the meaning set forth in the Class A-2 Notes Supplement.

"**Class A-2B Auction Termination Date**" has the meaning set forth in the Class A-2 Notes Supplement.

"**Class B Accrued Interest**" means, as of any Quarterly Distribution Date, an amount equal to the product of (a) the Class B 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 Reimbursement Amount" minus the amount calculated for such Quarterly Distribution Date under clause (ii)(3) of the definition of "Class B Reimbursement Amount" multiplied by (c) the applicable day count fraction for the Interest Period ending on such Quarterly Distribution Date.

"**Class B 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 pursuant to clause (5)(*third*) of "Priority of Payments—Interest Proceeds" to the payment the Interest Distribution Amount with respect to the Class B Notes.

"**Class B 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 B 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 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 pursuant to clause (6)(*third*) of "Priority of Payments—Interest Proceeds" and clause (1) of "Priority of Payments—Principal Proceeds" plus (4) Class B Accrued Interest for the related Interest Period.

"**Class B Swap Interest Rate**" means as of any Quarterly Distribution Date so long as any of the Class B Notes are outstanding, the interest rate applicable to the Class B Notes as of such Quarterly Distribution Date, and for each Quarterly Distribution Date after the Class B Notes cease to be outstanding, LIBOR plus 0.70%.

"**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 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 pursuant to clause (5)(*fourth*) of "Priority of Payments—Interest Proceeds" to the payment the Interest Distribution Amount with respect to the Class C Notes.

"**Class C 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 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 pursuant to clause (6)(*fourth*) of "Priority of Payments—Interest Proceeds" and clause (1) of "Priority of Payments—Principal Proceeds" 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 0.90%.

"**CLO Obligation**" means a CDO Obligation the terms of which permit the Underlying Portfolio to consist of more than 50% of commercial and industrial bank loans.

"**Closing Date**" means May 18, 2006.

"**CMBS Conduit Securities**" means Asset-Backed Securities (A) issued by a single-seller or multi-seller conduit under which the holders of such Asset-Backed Securities have recourse to a specified pool of assets (but not other assets held by the conduit that support payments on other series of securities) and (B) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans generally having the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors (with the creditworthiness of individual obligors being less material than for CMBS Large Loan Securities and 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 CDO Obligation, (b) any Other ABS, (c) any Synthetic Security as to which any Reference Obligation and any Deliverable Obligation, (i) is a CDO Obligation or Other ABS that would qualify to be included as a Collateral Debt Security under the Indenture if purchased directly by the Issuer or (ii) is a specified pool or index of financial assets, either static or revolving (the composition of which cannot vary as a result of a decision by the Collateral Manager, the relevant Synthetic Security Counterparty or their respective affiliates), that by its terms converts into cash within a finite time period, or (d) any Deliverable Obligation.

"**Controlling Class**" means the Class A-1 Notes or, if there are no Class A-1 Notes outstanding, *then* the Class A-2 Notes or, if there are no Class A-2 Notes outstanding, *then* the Class B Notes or, if there are no Class B Notes outstanding, *then* the Class C Notes or, if there are no Class C Notes outstanding, *then* the Class D Notes.

"**Corporate CDO Obligation**" means a CDO Obligation the terms of which permit the Underlying Portfolio to consist of more than 40% 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.

"**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 to its rating assigned on the Closing Date), and (b) no rating of any of the Class D 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 assigned on the Closing Date), 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 has improved in credit quality since it was acquired by the Issuer (*provided* that, in making such determination, a decrease in credit spread or an increase in market value may be utilized only as corroboration of another basis for such judgment); or (2) such Collateral Debt Security or 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, Written Down 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 to its rating assigned on the Closing Date), and (b) no rating of any of the Class D 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 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 a Written Down Security (*provided* that, in making such determination, an increase in credit spread or a decrease in market value may be utilized only as corroboration of another basis for such judgment); or (2) such Collateral Debt Security or security has been downgraded by one or more rating subcategories, or put on a watch list for possible downgrade, by 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 or a Written Down 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.

"**Deep Discount Security**" means, with respect to any Pledged Collateral Debt Security:

(a) if such Collateral Debt Security has a Moody's Rating of "Aa3" or lower or a Standard & Poor's Rating of "AA-", such Collateral Debt Security was acquired by the Issuer at a price of less than 75% of the par amount of such Collateral Debt Security;

(b) if such Collateral Debt Security (i) has a Moody's Rating of "Aa2" or higher, a Standard & Poor's Rating of "AA" or higher and (ii) is a Fixed Rate Security, such Collateral Debt Security was acquired by the Issuer at a price of less than 85% of the par amount of such Collateral Debt Security; and

(c) if such Collateral Debt Security (i) has a Moody's Rating of "Aa2" or higher and a Standard & Poor's Rating of "AA" or higher and (ii) is a Floating Rate Security, such Collateral Debt Security was acquired by the Issuer at a price of less than 92% of the par amount of such Collateral Debt Security.

"**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 clause 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 (4) if such Collateral Debt Security was acquired in a distressed exchange or other debt restructuring and complies with the requirements of the definition of "Collateral Debt Security";

(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 (37) 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 Basis Swap 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 (h) or (i) of such definition), (b) if such Synthetic Security does not provide that the Issuer has any (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after an

initial payment thereunder, any Synthetic Security as to which the aggregate repayment obligation owing to the Issuer has been reduced by reason of the occurrence of one or more "credit events" or other similar circumstances, (c) if such Synthetic Security provides that the Issuer has (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after the effective date thereof, any Synthetic Security as to which the Issuer has become obligated to make one or more payments to the Synthetic Security Counterparty by reason of the occurrence of one or more "credit events" or other similar circumstances (for avoidance of doubt, a "floating amount event" under a Synthetic Security does not constitute such a similar circumstance) and (d) any Synthetic Security as to which a Deliverable Obligation has become deliverable to the Issuer by reason of the occurrence of one or more "credit events" or other similar circumstances.

"**Defeased Synthetic Security**" means any Synthetic Security that requires payment by the Issuer after the date upon which it is pledged to the Trustee and that satisfies the following: (a) the Issuer has caused to be deposited in a Synthetic Security Counterparty Account an amount at least equal to the aggregate of all further payments (contingent or otherwise) that the Issuer is or may be required to make to the Synthetic Security Counterparty under the terms of the agreement relating to such Synthetic Security; (b) the agreement relating to such Synthetic Security provides that during any period that the Synthetic Security Counterparty does not have (x) a short-term debt rating of "A-1+" and a long-term debt rating of at least "AA-" by Standard & Poor's and (y) a short-term debt rating of "P-1" by Moody's (and not on credit watch for downgrade) and a long-term debt rating of at least "Aa3" by Moody's (and not on credit watch for downgrade), on the first day of each payment period under such Synthetic Security the Synthetic Security Counterparty will pay to the Issuer for deposit into the Synthetic Security Issuer Account, the full amount owing for such period by the Synthetic Security Counterparty to the Issuer; (c) the agreement relating to such Synthetic Security contains "non-petition" provisions with respect to the Issuer and "limited recourse" provisions limiting the Synthetic Security Counterparty's rights in respect of the Synthetic Security to the funds and other property credited to the Synthetic Security Counterparty Account related to such Synthetic Security and (d) the agreement relating to such Synthetic Security contains provisions to the effect that upon the occurrence of an "Event of Default" or "Termination Event" (other than an "Illegality" or "Tax Event") 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) the Issuer may terminate its obligations under such Synthetic Security and, upon such termination, (x) any lien in favor of the Synthetic Security Counterparty over its related Synthetic Security Counterparty Account will be terminated and (y) the Issuer will no longer be obligated to make any payments to the Synthetic Security Counterparty with respect to such Synthetic Security.

"**Deferred Interest PIK Bond**" means a PIK Bond with respect to which payment of interest either in whole or in part has been deferred 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 accordance with the terms of the Underlying Instruments.

"**Deliverable Obligation**" means, with respect to a Synthetic Security, a debt obligation that is to be delivered to the Issuer upon the occurrence of a "credit event" under a Synthetic Security.

"**Depository**" means DTC, its nominees and their respective successors.

"**Determination Date**" means the last day of a Due Period.

"**Discretionary Sale Percentage**" means 0%.

"**Dividend Yield**" means, as of any Quarterly Distribution Date when used in paragraph (15) under "Priority of Payments—Interest Proceeds", the per annum rate (expressed as a percentage) determined by multiplying (a) the quotient of (i) the aggregate amount distributed on such Quarterly Distribution Date pursuant to clause (15) under "Priority of Payments—Interest Proceeds" divided by (ii) the original aggregate liquidation preference of all Preference Shares issued on the Closing Date multiplied by (b) the quotient of (i) 360 divided by (ii) the number of days during the period from, and including, the immediately preceding Quarterly Distribution Date to, but excluding, such Quarterly Distribution Date (calculated on the basis of a year of 360 days and twelve 30-day months).

"**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, a Determination Date listed in the table below to, and including, the next succeeding date in the table below, except that (a) the initial Due Period will commence on, and include, the Closing Date and will end on, and include, the first Determination Date in the table below 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.

Determination Date	Determination Date	Determination Date	Determination Date	Determination Date
August 17, 2006	August 18, 2014	August 18, 2022	August 16, 2030	August 19, 2038
November 17, 2006	November 17, 2014	November 17, 2022	November 18, 2030	November 18, 2038
February 16, 2007	February 19, 2015	February 17, 2023	February 18, 2031	February 17, 2039
May 17, 2007	May 18, 2015	May 18, 2023	May 16, 2031	May 19, 2039
August 17, 2007	August 17, 2015	August 17, 2023	August 18, 2031	August 18, 2039
November 16, 2007	November 19, 2015	November 17, 2023	November 17, 2031	November 17, 2039
February 19, 2008	February 18, 2016	February 16, 2024	February 19, 2032	February 17, 2040
May 16, 2008	May 19, 2016	May 17, 2024	May 17, 2032	May 17, 2040
August 18, 2008	August 18, 2016	August 16, 2024	August 19, 2032	August 17, 2040
November 17, 2008	November 17, 2016	November 18, 2024	November 18, 2032	November 16, 2040
February 19, 2009	February 17, 2017	February 18, 2025	February 18, 2033	February 18, 2041
May 18, 2009	May 18, 2017	May 16, 2025	May 19, 2033	May 17, 2041
August 17, 2009	August 17, 2017	August 18, 2025	August 18, 2033	August 16, 2041
November 19, 2009	November 17, 2017	November 17, 2025	November 17, 2033	November 18, 2041
February 18, 2010	February 16, 2018	February 19, 2026	February 17, 2034	February 17, 2042
May 17, 2010	May 17, 2018	May 18, 2026	May 18, 2034	May 16, 2042
August 19, 2010	August 17, 2018	August 17, 2026	August 17, 2034	August 18, 2042
November 18, 2010	November 16, 2018	November 19, 2026	November 17, 2034	November 17, 2042
February 18, 2011	February 19, 2019	February 18, 2027	February 16, 2035	February 19, 2043
May 19, 2011	May 17, 2019	May 17, 2027	May 17, 2035	May 18, 2043
August 18, 2011	August 16, 2019	August 19, 2027	August 17, 2035	August 17, 2043
November 17, 2011	November 18, 2019	November 18, 2027	November 16, 2035	November 19, 2043
February 17, 2012	February 18, 2020	February 18, 2028	February 19, 2036	February 18, 2044
May 17, 2012	May 18, 2020	May 18, 2028	May 16, 2036	May 19, 2044
August 17, 2012	August 17, 2020	August 17, 2028	August 18, 2036	August 18, 2044
November 16, 2012	November 19, 2020	November 17, 2028	November 17, 2036	November 17, 2044
February 19, 2013	February 18, 2021	February 16, 2029	February 19, 2037	February 17, 2045
May 17, 2013	May 17, 2021	May 17, 2029	May 18, 2037	May 18, 2045
August 16, 2013	August 19, 2021	August 17, 2029	August 17, 2037	August 17, 2045
November 18, 2013	November 18, 2021	November 16, 2029	November 19, 2037	November 17, 2045
February 18, 2014	February 18, 2022	February 19, 2030	February 18, 2038	February 16, 2046
May 16, 2014	May 19, 2022	May 17, 2030	May 17, 2038	

"**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 credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's in the case of long-term debt obligations, or "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" (or "A-1" with respect to overnight deposits offered by LaSalle Bank National Association) by Standard & Poor's in the case of commercial paper and short-term debt obligations including time deposits; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "A1" by Moody's (and, if such rating is "A1", such rating is not on watch for possible downgrade by Moody's) and (ii) in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's;

(d) unleveraged repurchase obligations with respect to (i) any security described in clause (b) above or (ii) any other Registered obligation issued or guaranteed by an agency or instrumentality of the United States (in each case without regard to the stated maturity of such security), in either case entered into with a U.S. Federal or state depository institution or trust company (acting as principal) described in clause (c) above or entered into with a corporation (acting as principal) whose long-term rating is not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's or whose short-term credit rating is "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" (or "A-1" with respect to overnight deposits offered by LaSalle Bank National Association) 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; *provided* that if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's);

(g) Registered reinvestment agreements issued by any bank (if treated as a deposit by such bank), or a Registered reinvestment agreement issued by any insurance company or other corporation or entity

organized under the laws of the United States or any state thereof (if treated as debt for tax purposes by such corporation or entity), in each case, that has a credit rating of "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's; *provided* that (i) in any case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's), and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's; and

(h) interests in any money market fund or similar investment vehicle (including any such fund or vehicle that is formed and has its principal office outside the United States) having at the time of investment therein the highest credit rating assigned by Moody's and a rating of "AAAm" or "AAAm/G" by Standard & Poor's;

and, in each case (other than clause (a)), with a stated maturity (giving effect to any applicable grace period) no later than the earlier of (x) 30 days after the date of investment and (y) 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, (vi) any floating rate security (other than the time deposits described in paragraph (c) above) whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index plus a spread, (vii) any security that is subject to an Offer on the date of purchase thereof, (viii) any security subject to substantial non-credit-related risk as determined in the reasonable commercial judgment of the Collateral Manager, (ix) any security whose rating by Standard & Poor's includes the subscript "r", "t", "p", "pi" or "q" or (x) except with respect to overnight deposits offered by LaSalle Bank National Association, an investment that would result in the Issuer holding on the date of such investment Eligible Investments with any single institution whose short-term credit rating is less than "A-1+" by Standard & Poor's in an amount greater than 20% of the aggregate outstanding principal amount of the Notes. 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 CDO Obligation the terms of which permit the Underlying Portfolio to consist predominantly of Emerging Market Securities.

"**Equity Security**" means any security, obligation or other property (other than cash) acquired by the Issuer as a result of the exercise or conversion of a Collateral Debt Security, in conjunction with the purchase of a Collateral Debt Security or in exchange for a Defaulted Security.

"**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.

"**Fitch**" means Fitch Ratings and any successor or successors thereto.

"**Fixed Payment Rate**" means, with respect to a Deemed Floating Rate Security, a rate equal to the fixed rate that the Issuer agrees to pay to the relevant Hedge Counterparty under the related Deemed Floating Rate Hedge Agreement.

"**Fixed Rate Security**" means any Collateral Debt Security other than (i) a Floating Rate Security or (ii) a Deemed Floating Rate Security.

"**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, the form of the documents in respect of which has satisfied the Rating Condition with respect to Moody's and Standard & Poor's; *provided* that (i) no additional Synthetic Security will qualify as a Form Approved Synthetic Security after Standard & Poor's or Moody's has notified the Trustee and Collateral Manager of a change to such Rating Agency's published methodology and requests an amendment or modification to such Form Approved Synthetic Security and Standard & Poor's, Moody's, the Trustee and the Collateral Manager have not agreed to an amendment or modification of the Form Approved Synthetic Security to reflect such change within 45 days of such notice; and (ii) the Reference Obligation of each such Form Approved Synthetic Security shall be a CMBS, an ABS Type Residential Security or a CDO Obligation unless the Rating Condition with respect to Standard & Poor's has been satisfied with respect to such Reference Obligation.

"**Guaranteed Debt Security**" means a CDO Obligation 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 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 Asset Correlation Factor lower than 0.20; (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 CDO Obligation**" means a CDO Obligation the terms of which permit the Underlying Portfolio to consist predominantly of high yield corporate loans or debt 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 15% 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 (x) 20% of the sum of (a) the Interest Proceeds (if any) remaining after the payment of all amounts payable pursuant to clauses (1) through (13) 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 (8) under "Priority of Payments-Principal Proceeds" (but with respect to clause (8), solely to the extent amounts are paid thereunder in respect of unpaid amounts referred to in clauses (11), (12) and (13) of "Priority of Payments-Interest Proceeds") on such Quarterly Distribution Date multiplied by (y) 2/3.

"**Incentive Sub-Advisory Fee**" means the fee payable by the Issuer to the Sub-Advisor (and/or an affiliate of the Sub-Advisor as the Sub-Advisor 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 15% 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 Sub-Advisory 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 (x) 20% of the sum of (a) the Interest Proceeds (if any) remaining after the payment of all amounts payable pursuant to clauses (1) through (13) 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 (8) under "Priority of Payments-Principal Proceeds" (but with respect to clause (8), solely to the extent amounts are paid thereunder in respect of unpaid amounts referred to in clauses (11), (12) and (13) of "Priority of Payments-Interest Proceeds") on such Quarterly Distribution Date multiplied by (y) 1/3.

"**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 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 (including, in the case of the Class D Notes, any Class D Deferred Interest) 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 Defaulted Securities and Written Down Securities) 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 Securities, 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 (except for amounts of interest actually transferred from a Synthetic Security Counterparty Account to the Interest Proceeds Account during such Due Period) received in cash by the Issuer during such Due Period and all payments of principal, including repayments, on Eligible Investments purchased with amounts from the Interest Collection Account received by the Issuer during such Due Period; (4) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in cash by the Issuer during such Due Period in connection with such Collateral Debt Securities and Eligible Investments (other than fees and commissions received in respect of Defaulted Securities and Written Down Securities included as Principal Proceeds pursuant to paragraph (5) of the definition thereof 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 that are required to be used for the purchase of a replacement Hedge Agreement) less any deferred premium payments payable by the Issuer under each Hedge Agreement during such Due Period; (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 of interest or other distributions actually transferred from a Synthetic Security Counterparty Account to the Interest Proceeds Account during such Due Period that are to be treated as Interest Proceeds in accordance with the related Synthetic Security received in cash by the Issuer during such Due Period; and (8) all amounts on deposit in the Expense Account, the Semi-Annual Interest Reserve 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; *provided* that (x) Interest Proceeds shall in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in clauses (1) through (11) of the definition thereof or (ii) any Excepted Property and (y) payments made by each Hedge Counterparty or the Cashflow Swap Counterparty on 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; *provided* that Synthetic Securities shall be part of the same "Issue" to the extent that the related Reference Obligations would be part of the same Issue if such Reference Obligations were Collateral Debt Securities.

"**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.

"**Leveraged Loan Security**" means a CDO Obligation the terms of which permit the Underlying Portfolio to consist predominantly of leveraged loans and, for the avoidance of doubt, is not an Emerging Market CDO Security.

"**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 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 Asset Correlation Factor of 0.20 or higher; (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 on which the Issuer acquires a Collateral Debt Security; and (g) with reasonable notice to the Issuer and the Trustee, any other Business Day that any Rating Agency or holders of more than 50% of aggregate outstanding 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 Sequential Pay Ratio and (2) where used in the Collateral Management Agreement for calculations specified therein, the Overcollateralization Haircut Amount, if any. Solely for purposes of the "Eligibility Criteria" and as used in the definition of "Fair Market Value" in the Indenture, on each Measurement Date occurring on or prior to the Ramp-Up Completion Date, the Net Outstanding Portfolio Collateral Balance shall equal U.S.$300,000,000. 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 the Closing Date.

"**Other ABS**" means (a) an Asset-Backed Security (other than a CDO Obligation) 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, 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 and Deferred Interest PIK Bonds) that have a Moody's Rating of "Caa1" or lower;

(b) the product of (i) 50% and (ii) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities and Deferred Interest PIK Bonds) that have a Standard & Poor's Rating of "CCC+" or lower;

(c) the product of (i) 22.5% and (ii) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities and Deferred Interest PIK Bonds) that have a Moody's Rating of "B1", "B2" or "B3";

(d) the product of (i) 30% and (ii) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities and Deferred Interest PIK Bonds) that have a Standard & Poor's Rating of "B+", "B" or "B-";

(e) the product of (i) 12.5% and (ii) the excess (if any) of (A) the aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities and Deferred Interest PIK Bonds) that have a Moody's Rating of "Ba1", "Ba2" or "Ba3" over (B) 15% of the Net Outstanding Portfolio Collateral Balance (other than Defaulted 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 and Deferred Interest PIK Bonds) that have a Standard & Poor's Rating of "BB+", "BB" or "BB-" over (B) 12.5% of the Net Outstanding Portfolio Collateral Balance (other than Defaulted 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 security that, pursuant to the terms of the related Underlying Instruments, permits the payment of interest thereon to be deferred and capitalized as additional principal thereof or that issues identical securities in place of payments of interest in cash.

"**Pledged Collateral Debt Security**" means, as of any date of determination, any Collateral Debt Security that has been pledged to the Trustee and has not been released from the lien of the Indenture.

"**Preference Share Documents**" means the Issuer Charter and related resolutions, the Preference Share Paying Agency Agreement and certain resolutions passed by the Issuer's Board of Directors concerning the Preference Shares.

"**Preference Share Redemption Date Amount**" means, in respect of any 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 21, 2014 to but excluding May 21, 2016, an IRR of not less than 12% per annum on the Preference Shares for the period from the Closing Date to such Quarterly Distribution Date or (y) for any Quarterly Distribution Date after and including May 21, 2016, an IRR of not less than 5% per annum on the Preference Shares for the period from the Closing Date to such Quarterly Distribution Date.

"**Preference Share Registrar**" means Walkers SPV Limited (on behalf of the Issuer) and any successor thereto.

"**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 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 amount of the repayment obligations of the Synthetic Security Counterparty payable to the Issuer through the maturity of such Synthetic Security and (ii) in the case of any other Synthetic Security, the balance in the related Synthetic Security Counterparty Account 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) the Principal Balance of any Written Down Security shall be deemed to be the lesser of (i) the fair market value of such Written Down Security and (ii) the Principal Balance of such Collateral Debt Security (determined without regard to this clause (e) minus the aggregate par amount of all defaulted collateral securing such Issue in excess of the aggregate par amount of all other securities secured by the same pool of collateral that rank junior in priority of payment to such Collateral Debt Security(as reported to holders of such Written Down Security in the most recent report delivered to holders of such Written Down Security in accordance with its Underlying Instruments and received by the Trustee).

"**Principal Proceeds**" means, with respect to any Due Period, the sum (without duplication) of: (1) all Uninvested Proceeds 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 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, Written Down Security, Deferred Interest PIK Bond or Defaulted Security but excluding accrued interest included in Interest Proceeds as defined above); (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; (6) any proceeds 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 Securities 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) all cash and principal payments received in respect of Eligible Investments credited to the Principal Collection Account in accordance with the provisions of the Indenture during such Due Period 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 or any Synthetic Security Counterparty 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.

"**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 May 18, 2006 between the Initial Purchaser and the Co-Issuers relating to the placement of the Notes and Preference Shares.

"**Pure Private Collateral Debt Security**" means any Collateral Debt Security other than (a) a Collateral Debt Security that was issued pursuant to an effective registration statement under the Securities Act or (b) a privately placed Collateral Debt Security that is eligible for resale under Rule 144A 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 average of the Net Outstanding Portfolio Collateral Balance on the first and last day of the related Due Period; *provided* that solely for the purpose of determining the Quarterly Asset Amount with respect to the first Quarterly Distribution Date, the Net Outstanding Portfolio Collateral Balance as of the first day of the related Due Period will include securities in respect of which the Collateral Manager has entered into binding purchase agreements as of the Closing Date and that will be purchased by Merrill Lynch International pursuant to the Master Forward Sale Agreement.

"**Ramp-Up Completion Date**" means the date that is the earlier of (a) August 7, 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.$300,000,000.

"**Rating Condition**" means, with respect to any action taken or to be taken under the Indenture, a condition that is satisfied when each Rating Agency (or if the Indenture expressly so specifies in respect of such action, the specified Rating Agency) has confirmed in writing to the Trustee that such action will not result in the withdrawal, reduction or other adverse action with respect to any then-current rating (including any private or confidential rating) by such Rating Agency of any Class of 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), *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 CDO Obligation, (b) any Other ABS, or (c) a specified pool or index of financial assets, either static or revolving (the composition of which cannot vary as a result of a decision by the Collateral Manager, the relevant Synthetic Security Counterparty, or their respective affiliates) that by its terms converts into cash within a finite time period, in each case in respect of which the Issuer has obtained a Synthetic Security and which, if purchased by the Issuer, would satisfy paragraphs (6), (7), (8) and (10) of the Eligibility Criteria.

"**Reference Obligor**" means the obligor on a Reference Obligation.

"**Regulation S**" means Regulation S under the Securities Act.

"**Reimbursement Amounts**" means, as of any Quarterly Distribution Date, the sum of each of the Class A-1 Reimbursement Amount, the Class A-2 Reimbursement Amount, the Class B Reimbursement Amount and the Class C Reimbursement Amount as of such Quarterly Distribution Date.

"**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.

"**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 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.

"**Residential A Mortgage Securities**" means Asset-Backed Securities (other than Residential B/C Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have generally been underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan); (2) the mortgage loans have standardized payment terms and require minimum monthly payments; (3) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"**Residential B/C Mortgage Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by subprime residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have generally not been underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan); (2) the mortgage loans have standardized payment terms and require minimum monthly payments; (3) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"**Restaurant and Food Services Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (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 under the Securities Act.

"**Sale Proceeds**" means all proceeds received as a result of sales of Collateral Debt Securities pursuant to the Indenture or an Auction or otherwise which shall: (a) include, in the case of any Synthetic Security, the proceeds of sale of any Deliverable Obligations delivered in respect thereof and any distribution received in respect of property credited to a Synthetic Security Counterparty Account if the Synthetic Security or the Synthetic Security Counterparty's security interest therein is terminated or the Synthetic Security is sold or assigned; and (b) be

calculated net of any reasonable out-of-pocket expenses of the Issuer, the Collateral Manager, the Sub-Advisor or the Trustee in connection with any such sale.

"**SEC**" means the United States Securities and Exchange Commission.

"**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 not accrue interest.

"**Senior Sub-Advisory Fee**" means the fee payable to the Sub-Advisor (and/or an affiliate of the Sub-Advisor that the Sub-Advisor may designate from time to time) in arrears on each Quarterly Distribution Date pursuant to the Sub-Advisory Agreement, in an amount equal to 0.10% per annum of the Quarterly Asset Amount for such Quarterly Distribution Date; *provided* that the Senior Sub-Advisory 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 Sub-Advisory Fee will be deferred. Any unpaid Senior Sub-Advisory 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 Sub-Advisor) 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.

"**Sequential Pay Period**" means a period commencing on the earliest to occur of (a) the first Determination Date on which any Coverage Test is not satisfied, (b) the first Measurement Date on which the aggregate Principal Balance of all Collateral Debt Securities held by the Issuer is less than U.S.$150,000,000, (c) the first Measurement Date on which the Sequential Pay Test is not satisfied, (d) the first Determination Date after an Event of Default has occurred, *provided* that such Event of Default is continuing on such Determination Date and (e) the first date on which the rating by Standard & Poor's with respect to any outstanding Class of Notes has been reduced by one or more rating subcategories below the rating assigned to such Notes on the Closing Date or withdrawn; *provided* that if a Sequential Pay Period commences as a result of a failure to satisfy any Coverage Test, if the Issuer subsequently satisfies each such Coverage Test, the period from and after the first Measurement Date on which each such Coverage Test is satisfied will not be a Sequential Pay Period, so long as a Sequential Pay Period would not have otherwise commenced because of the operation of any of clauses (b) through (e) above, until a Sequential Pay Period commences for another reason as provided herein.

"**Sequential Pay Ratio**" means, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the aggregate outstanding amount of the Class A-1 Notes plus (ii) the aggregate outstanding amount of the Class A-2 Notes plus (ii) the aggregate outstanding amount of the Class B Notes plus (ii) the aggregate outstanding amount of the Class C Notes.

"**Sequential Pay Test**" means, for so long as any Class A Notes, Class B Notes or Class C Notes remain outstanding, a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Sequential Pay Ratio on such Measurement Date is equal to or greater than 110.2%.

"**Servicer**" means, with respect to any Collateral Debt Security, the entity (however described in the applicable Underlying Instrument) that, absent any default, event of default or similar condition (however described), is primarily responsible for managing, master servicing, monitoring and otherwise administering the cash flows from which payments to investors in such Collateral Debt Security are made.

"**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 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, Written Down Security, Equity Security, Deferred Interest PIK Bond or Deliverable Obligation that is a Defaulted Security made since such security became a Defaulted Security, Written Down Security, Equity 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 (*provided* that, for the purposes of this subclause (ii), the par amount with respect to a Written Down Security shall be deemed to be the original par amount thereof, and not the written-down amount thereof) and (iii) all Sale Proceeds (other than accrued interest treated as Interest Proceeds included therein) from Credit Risk Securities, Credit Improved Securities and other Collateral Debt Securities that were not reinvested in accordance with the Indenture.

"**Specified Type**" means, with respect to any CDO Obligation or Other ABS, whether such CDO Obligation or Other ABS is: (1) an Aerospace and Defense Security; (2) an Asset-Backed CDO Obligation; (3) an Automobile Security; (4) a Bank Guaranteed Security; (5) a Bank-Trust Preferred Security; (6) a Car Rental Receivable Security; (7) a CMBS Conduit Security; (8) a CMBS Credit Tenant Lease Security; (9) a CMBS Large Loan Security; (10) a Corporate CDO Obligation; (11) a Credit Card Security; (12) an Emerging Market CDO Security; (13) a Healthcare Security; (14) a High-Diversity CBO/CLO Security; (15) a High Yield CDO Obligation; (16) a Home Equity Loan Security; (17) an Insurance Company Guaranteed Security; (18) an Insurance Trust Preferred Security, (19) a Leveraged Loan Security; (20) a Low-Diversity CBO/CLO Security; (21) a Manufactured Housing Security; (22) a Mutual Fund Security; (23) an Oil and Gas Security; (24) a Project Finance Security; (25) a Recreational Vehicle Security; (26) a REIT Debt Security-Diversified; (27) a REIT Debt Security-Health Care; (28) a REIT Debt Security-Hotel; (29) a REIT Debt Security-Industrial; (30) a REIT Debt Security-Mortgage; (31) a REIT Debt Security-Multi-Family; (32) a REIT Debt Security-Office; (33) a REIT Debt Security-Residential; (34) a REIT Debt Security-Retail; (35) a REIT Debt Security-Storage; (36) a Residential A Mortgage Security; (37) a Residential B/C Mortgage Security; (38) a Restaurant and Food Services Security; (39) a Small Business Loan Security; (40) a Structured Settlement Security; (41) a Student Loan Security; (42) a Subprime Automobile Security; (43) a Tax Lien Security; (44) a Time Share Security, or (45) a Trust Preferred CDO Obligation.

"**Stated Maturity**" means, with respect to (a) any security (other than a Note), the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, (b) any repurchase obligation, the repurchase date thereunder on which the final repurchase obligation thereunder is due and payable and (c) any Note, May 21, 2046, 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.

"**Stock Exchange or Trading System**" means a stock exchange or other trading system on which securities are traded and that establishes rules and directives for (a) the issue size, (b) the minimum holding of securities by the public after the issuance with respect to the number of holders, the holding period and the value of such holding and (c) conditions for the termination of the trading in the securities, the "de-listing" of the securities from trading and the resumption of trading in the securities; *provided* that a security will not be deemed to trade on any Stock Exchange or Trading System if such security is part of a tranche of securities eligible for resale to "qualified institutional buyers" under Rule 144A under the Securities Act, notwithstanding the listing of a tranche that has identical economic features but is not eligible for trading within the United States or transfer to U.S. Persons on an exchange outside the United States (such as the Irish or Luxembourg stock exchange).

"**Structured Settlement Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from receivables representing the right of litigation claimants to receive future scheduled payments under settlement agreements that are funded by annuity contracts, which receivables may have varying maturities.

"**Student Loan Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from loans made to students (or their parents) to finance educational needs, generally having the following characteristics: (1) the loans have standardized terms; (2) the loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such loans is primarily determined by a contractual payment schedule, with early repayment on such loans predominantly dependent upon interest rates and the income of borrowers following the commencement of amortization; and (4) such loans may be fully or partially insured or reinsured by the United States Department of Education.

"**Subordinate Management Fee**" means the fee payable to the Collateral Manager (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 0.1% 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.

"**Subordinate Sub-Advisory Fee**" means the fee payable to the Sub-Advisor (and/or an affiliate of the Sub-Advisor as the Sub-Advisor may designate from time to time) in arrears on each Quarterly Distribution Date pursuant to the Sub-Advisory Agreement, in an amount equal to 0.05% per annum of the Quarterly Asset Amount for such Quarterly Distribution Date; *provided* that the Subordinate Sub-Advisory 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 Sub-Advisory Fee will be deferred. Any unpaid Subordinate Sub-Advisory 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 Sub-Advisor) 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.

"**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, credit-linked note, credit derivative, structured bond investment or other investment 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 expected loss characteristics corresponding to losses incurred above and/or below specified thresholds with respect to the Reference Obligation), but which may provide for a different maturity, interest rate or other non-credit characteristics than such Reference Obligation; *provided* that (a) such Synthetic Security shall not provide for any payment by the Issuer after the date on which it is pledged to the Trustee unless such security is a Defeased Synthetic Security, (b) such Synthetic Security terminates upon the redemption or repayment in full of the Reference Obligation, (c)(i) either (x) such Synthetic Security has a Moody's Rating, the Rating Condition with respect to Standard & Poor's has been satisfied and Moody's has assigned a recovery rate with respect to such Synthetic Security or (y) such Synthetic Security is a Form Approved Synthetic Security, and (ii) the Trustee has been notified in writing of the Applicable Recovery Rate assigned by each Rating Agency and, in the case of Moody's, the Moody's Rating Factor assigned by Moody's, (d) no amount receivable by the Issuer from the Synthetic Security Counterparty will be subject to withholding tax, unless the Synthetic Security Counterparty is required to make additional payments so that the net amount received by the Issuer is the amount due to the Issuer before the imposition of any withholding tax, (e) the acquisition (including the manner of acquisition), holding, disposition and enforcement of such Synthetic Security will not subject the Issuer to taxation on a net income basis in any jurisdiction outside of its jurisdiction of incorporation or cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. Federal income tax purposes and (f) the agreement relating to such Synthetic Security contains "non-petition" and "limited recourse" provisions with respect to the Issuer.

"**Synthetic Security Collateral**" means, in respect of any Defeased Synthetic Security entered into by the Issuer, (i) any Eligible Investments that mature no later than the Business Day next succeeding the date of investment therein and (ii) any CDO Obligation or Other ABS pledged by the Issuer to or for the benefit of the related Synthetic Security Counterparty that, if included in the Collateral, would satisfy paragraphs (1) through (4) and (6) through (19) of the Eligibility Criteria and that has a long-term debt rating of "Aaa" by Moody's (if

publicly rated by Moody's) and "AAA" by Standard & Poor's (if publicly rated by Standard & Poor's) or a short-term debt rating of "P-1" by Moody's and "A-1+" by Standard & Poor's.

"**Synthetic Security Counterparty**" means any entity that (a) is required to make payments on a Synthetic Security referenced to payments by a Reference Obligor on a Reference Obligation and (b) on the date such Synthetic Security is acquired by the Issuer, is (or the guarantor of such entity's obligations under such Synthetic Security is) rated at least "AA" by Standard & Poor's or has a short-term issuer credit rating from Standard & Poor's of at least "A-1", has a long-term unsecured debt rating from Moody's of at least "Aa2" (and, if rated "Aa2", is not on watch for possible downgrade by Moody's) (or if such Synthetic Security is a Defeased Synthetic Security, has a long-term unsecured debt rating from Moody's of at least "Aa3" (and, if rated "Aa3", is not on watch for possible downgrade by Moody's)) and has a short-term unsecured debt rating from Moody's, if rated by Moody's, of at least "P-1" (and, if rated "P-1", is not on watch for possible downgrade by Moody's) or the selection of such entity satisfies the Rating Condition with respect to Standard & Poor's and Moody's.

"**Synthetic Security Counterparty Defaulted Obligation**" means a Synthetic Security (other than a Defaulted Synthetic Security) with respect to which:

(a) the issuer credit rating of the Synthetic Security Counterparty is rated "D" or "SD" by Standard & Poor's (or 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.

"**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, any Cashflow Swap Counterparty, the Basis Swap Counterparty or any Hedge Counterparty is required to deduct or withhold from any payment under the relevant Hedge Agreement, Basis Swap Agreement or Cashflow Swap Agreement for or on account of any tax and the Issuer is obligated, or any Cashflow Swap Counterparty, the Basis Swap Counterparty or any Hedge 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, the Basis Swap Counterparty under the Basis Swap Agreement, the Cashflow Swap Counterparty under the Cashflow Swap Agreement 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 (13) under "Priority of Payments—Interest Proceeds" and clauses (1) through (8) under "Priority of Payments—Principal Proceeds" as of such date (including any termination payments payable by the Issuer pursuant to each Hedge Agreement, the Basis Swap 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 to the date of redemption, (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) and (d) solely in the case of an Auction Call Redemption pursuant to the Indenture, occurring on or after May 21, 2014, to make all payments of amounts referred to in clause (13) under "Priority of Payments—Interest Proceeds" that have accrued and been unpaid subsequent to May 21, 2014.

"**Trustee**" means LaSalle Bank National Association, a national banking association.

"**Trust Preferred CDO Obligation**" means a CDO Obligation the terms of which requires the Underlying Portfolio to consist of at least 75% of Bank-Trust Preferred Securities.

"**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 CDO Obligation, the pool of commercial and industrial bank loans, bonds and other debt securities or obligations held by the issuer of such CDO Obligation.

"**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 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 the issuance and funding of the Class A-1 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, as amended.

"**U.S.$**" means United States dollars.

"**U.S. Person**" has the meaning given in Regulation S.

"**Warehouse Agreement**" means the Warehouse Agreement dated as of January 26, 2006 between Merrill Lynch International and the Collateral Manager.

"**Written Down Security**" means, as of any date of determination, any Collateral Debt Security as to which the aggregate par amount of such Collateral Debt Security and all other securities secured by the same pool of collateral that rank *pari passu* with or senior in priority of payment to such Collateral Debt Security exceeds the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such securities (excluding defaulted collateral), as determined by the Collateral Manager using customary procedures and information available in the servicer reports relating to such Written Down Security.

SCHEDULE A

Part I
Moody's Recovery Rate Matrix

(see definition of "Applicable Recovery Rate")

A. ABS Type Diversified Securities

Percentage of Total Capitalization	Moody's Rating[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%

[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

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%

[4] The rating assigned by Moody's on the closing date for such Collateral Debt Security

E. High-Diversity CBO/CLO 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%	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%

[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 CMBS, Synthetic Security or a REIT Debt Security) is the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows*:

Standard & Poor's Rating of Collateral Debt Security	Recovery Rate by Rating of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
"AA-", "AA" or "AA+"	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
"A-", "A" or "A+"	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
"BBB-", "BBB" or "BBB+"	50.0%	55.0%	65.0%	75.0%	85.0%	85.0%	85.0%

B. If the Collateral Debt Security (other than a CMBS, Synthetic Security or a REIT Debt Security) is not the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows*:

Standard & Poor's Rating of Collateral Debt Security	Recovery Rate by 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 CMBS the recovery rate is as follows*:

Standard & Poor's Rating of Collateral Debt Security	Recovery Rate by Ratings of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
"AA-", "AA" or "AA+"	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
"A-", "A" or "A+"	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
"BBB-", "BBB" or "BBB+"	45.0%	50.0%	55.0%	60.0%	65.0%	70.0%	75.0%
"BB-", "BB" or "BB+"	35.0%	40.0%	45.0%	45.0%	50.0%	50.0%	50.0%
"B-", "B" or "B+"	20.0%	25.0%	30.0%	30.0%	35.0%	40.0%	40.0%
"CCC+" and below	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
NR	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

D. If the Collateral Debt Security (other than a REIT Debt Security) is a Synthetic Security, the recovery rate will be assigned by Standard & Poor's upon the acquisition of such Security by the Issuer.

E. If the Collateral Debt Security is a REIT Debt Security, the recovery rate will be 40%.

***If the Collateral Debt Security is a Guaranteed Asset-Backed Security, the recovery rate will be (a) if such Guaranteed Asset-Backed Security is secured and not by its terms subordinate in right of payment, 47.5%, (b) if such Guaranteed Asset-Backed Security is not secured and is not by its terms subordinate in right of payment, 37% 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. CBOs of CDOs
5. CLOs of Distressed Debt
6. Mutual Fund Fee Securities
7. Catastrophe Bonds
8. First Loss Tranches of any Securitization
9. Synthetics
10. Synthetic CBOs
11. Combination Securities
12. Re-REMICs
13. Market value CDOs
14. Net Interest Margin Securities (NIMs)
15. 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

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.

PRINCIPAL OFFICES OF THE CO-ISSUERS

Class V Funding II, Ltd.
Walker House
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Grand Cayman, Cayman Islands

Class V Funding II, Corp.
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Suite 204
Newark, Delaware 19711

TRUSTEE, NOTE PAYING AGENT, NOTE REGISTRAR AND TRANSFER AGENT AND PREFERENCE SHARE PAYING AGENT

LaSalle Bank National Association
181 West Madison Street, 32nd Floor
Chicago, Illinois 60602

PREFERENCE SHARE REGISTRAR AND TRANSFER AGENT

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George Town
Grand Cayman, Cayman Islands

IRISH LISTING AGENT AND PAYING AGENT

NCB Stockbrokers Limited
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International Financial Services Centre
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New York, New York 10022

As to Cayman Islands Law
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P.O. Box 265GT
Mary Street, George Town
Grand Cayman, Cayman Islands

To the Initial Purchaser

Freshfields Bruckhaus Deringer LLP
520 Madison Avenue
New York, New York 10022

To the Collateral Manager

White & Case LLP
1155 Avenue of the Americas,
New York, New York 10036

Class V Funding II, Ltd.
Class V Funding II, Corp.

U.S.$68,000,000 Class A-1
First Priority Senior Secured Floating Rate Notes due 2046
U.S.$68,000,000 Class A-2A
Second Priority Senior Secured Floating Rate Notes due 2046
U.S.$68,000,000 Class A-2B
Second Priority Senior Secured Floating Rate Notes due 2046
U.S.$45,000,000 Class B
Third Priority Secured Floating Rate Notes due 2046
U.S.$7,000,000 Class C
Fourth Priority Secured Floating Rate due 2046
U.S.$26,000,000 Class D
Fifth Priority Secured Floating Rate Deferrable Notes due 2046
18,000 Preference Shares
with an Aggregate Liquidation Preference of U.S.$18,000,000

OFFERING CIRCULAR

Merrill Lynch & Co.

May 16, 2006