**OFFERING CIRCULAR**

**U.S.$1,500,000,000 Class A-1A First Priority Senior Secured Floating Rate Notes Due October 2039**
**U.S.$1,499,950,000 Class A-1B1 First Priority Senior Secured Floating Rate Notes Due October 2039**
**U.S.$1,499,950,000 Class A-1B2 First Priority Senior Secured Floating Rate Notes Due October 2039**
**U.S.$100,000 Class A-1BV First Priority Senior Secured Floating Rate Notes Due October 2039**
**U.S.$400,000,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due October 2039**
**U.S.$60,000,000 Class B Third Priority Senior Secured Floating Rate Notes Due October 2039**
**U.S.$20,000,000 Class X Fourth Priority Junior Secured Amortizing Deferrable Floating Rate Notes Due October 2039**
**U.S.$20,000,000 Class C Fifth Priority Junior Secured Deferrable Floating Rate Notes Due October 2039**
***Backed by a Portfolio of Residential Mortgage-Backed Securities and Related Synthetic Securities***

# Triaxx Prime CDO 2006-2, Ltd.
# Triaxx Prime CDO 2006-2, LLC

ICP SECURITIES LLC

Triaxx Prime CDO 2006-2, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Issuer"), and Triaxx Prime CDO 2006-2, LLC, a Delaware limited liability company (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), will issue U.S.$1,500,000,000 Class A-1A First Priority Senior Secured Floating Rate Notes due October 2039, (the "Class A-1A Notes"), U.S.$1,499,950,000 Class A-1B1 First Priority Senior Secured Floating Rate Notes due October 2039 (the "Class A-1B1 Notes"), U.S.$1,499,950,000 Class A-1B2 First Priority Senior Secured Floating Rate Notes due October 2039 (the "Class A-1B2 Notes"), U.S.$100,000 Class A-1BV First Priority Senior Secured Floating Rate Notes due October 2039 (the "Class A-1BV Notes," and together with the Class A-1B1 Notes and the Class A-1B2 Notes, the "Class A-1B Notes"; the Class A-1A Notes and the Class A-1B Notes together, the "Class A-1 Notes"), U.S.$400,000,000 Class A-2 Second Priority Senior Secured Floating Rate Notes due October 2039 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"), U.S.$60,000,000 Class B Third Priority Senior Secured Floating Rate Notes due October 2039 (the "Class B Notes"), and the Issuer will issue U.S.$20,000,000 Class X Fourth Priority Junior Secured Amortizing Deferrable Floating Rate Notes due October 2039 (the "Class X Notes") and U.S.$20,000,000 Class C Fifth Priority Junior Secured Deferrable Floating Rate Notes due October 2039 (the "Class C Notes"). The Class A Notes and the Class B Notes are collectively referred to herein as the "Senior Notes." The Class X Notes and Class C Notes are collectively referred to herein as the "Junior Notes". The Senior Notes and the Junior Notes are collectively referred to herein as the "Notes" or the "Offered Securities." The Collateral securing the Notes will be managed by ICP Asset Management, LLC (the "Collateral Manager").

*(continued on next page)*

It is a condition to the issuance of the Offered Securities that the Class A-1A Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's" and, together with Moody's, the "Rating Agencies"), that the Class A-1B1 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, that the Class A-1B2 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, the Class A-1BV Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, that the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, that the Class B Notes be rated at least "Aa2" by Moody's and at least "AA" by Standard & Poor's, that the Class X Notes be rated at least "A1" by Moody's and at least "A+" by Standard & Poor's and that the Class C Notes be rated at least "A2" by Moody's and at least "A" by Standard & Poor's. This Offering Circular constitutes a prospectus (the "Prospectus") for the purposes of Directive 2003/71/EC (the "Prospectus Directive"). References throughout this document to the "Offering Circular" shall be taken to read "Prospectus" for such purpose. Application has been made to the Irish Financial Services Regulatory Authority (the "Financial Regulator in Ireland"), as competent authority under the Prospectus Directive, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such listing will be obtained. No application will be made to list the Notes on any other exchange.

**SEE "RISK FACTORS" IN THIS OFFERING CIRCULAR (THE "OFFERING CIRCULAR") FOR A DESCRIPTION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE OFFERED SECURITIES. THE PLEDGED ASSETS OF THE ISSUER ARE THE SOLE SOURCE OF PAYMENTS ON THE OFFERED SECURITIES. THE OFFERED SECURITIES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE TRUSTEE, THE FISCAL AGENT, THE COLLATERAL MANAGER, ANY HEDGE COUNTERPARTY, ICP SECURITIES, LLC, 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. 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 WHO ARE

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

The Offered Securities are offered from time to time in individually negotiated transactions at varying prices to be determined at the time of sale by ICP Securities, LLC (the "Placement Agent") subject to prior sale, when, as and if issued. The Placement Agent reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that the Offered Securities will be delivered on or about December 14, 2006 (the "Closing Date"), in the case of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class X Notes and the Regulation S Global Class C Notes, through the facilities of The Depository Trust Company ("DTC") and, in the case of the Restricted Definitive Class C Notes, at the offices of ICP Securities, LLC.

---

ICP SECURITIES, LLC

The date of this Offering Circular is March 9, 2007.

---

The Senior Notes will be issued and secured pursuant to an Indenture, dated as of December 14, 2006 (the "Indenture") among the Issuer, the Co-Issuer and LaSalle Bank National Association, as trustee (the "Trustee"). The Collateral (as defined herein) securing the Senior Notes will be managed by ICP Asset Management, LLC (the "Collateral Manager"). The Junior Notes will be issued pursuant to a deed of covenant dated as of the Closing Date (the "Deed of Covenant") by the Issuer and will be administered pursuant to a fiscal agency agreement dated as of the Closing Date (the "Fiscal Agency Agreement") between the Issuer and LaSalle Bank National Association, as fiscal agent (in such capacity, together with its successors and assigns in such capacity, the "Fiscal Agent"). The Junior Notes will be secured pursuant to a Security Agreement, dated as of December 14, 2006 (the "Security Agreement"), between the Issuer and the Fiscal Agent. The lien in favor of the Junior Notes pursuant to the Security Agreement will be junior to the lien of the Senior Notes pursuant to the Indenture.

Subject in each case to the Priority of Payments, (a) holders of the Class A-1A Notes will be entitled to receive interest at a floating rate *per annum* equal to the applicable one-month London interbank offered rate in effect from time to time (determined as described herein) *plus* 0.26%, (b) holders of the Class A-1B1 Notes will be entitled to receive interest at a floating rate *per annum* equal to the applicable one-month London interbank offered rate in effect from time to time (determined as described herein) *plus* 0.26%, (c) holders of the Class A-1B2 Notes will be entitled to receive interest at a floating rate *per annum* equal to the applicable one-month London interbank offered rate in effect from time to time (determined as described herein) *plus* 0.26%, (d) holders of the Class A-1BV Notes will be entitled to receive interest at a floating rate *per annum* equal to the applicable one-month London interbank offered rate in effect from time to time (determined as described herein) *plus* 0.26%, (e) holders of the Class A-2 Notes will be entitled to receive interest at a floating rate *per annum* equal to the applicable three-month London interbank offered rate in effect from time to time (determined as described herein) *plus* 0.525%, (f) holders of the Class B Notes will be entitled to receive interest at a floating rate *per annum* equal to the applicable three-month London interbank offered rate in effect from time to time (determined as described herein) *plus* 0.80%, (g) holders of the Class X Notes will be entitled to receive interest at a floating rate *per annum* equal to the applicable three-month London interbank offered rate in effect from time to time (determined as described herein) *plus* 1.35% and (h) holders of the Class C Notes will be entitled to receive interest at a floating rate *per annum* equal to the applicable three-month London interbank offered rate in effect from time to time (determined as described herein) *plus* 1.55%. See "Description of the Notes—Priority of Payments." The Placement Agent is the structurer and arranger of the Offered Securities.

The Offered Securities are offered from time to time in individually negotiated transactions at varying prices to be determined at the time of sale by the Placement Agent.

The Notes offered by the Co-Issuers (or, in the case of the Junior Notes, by the Issuer) in the United States will be offered in reliance on an exemption from the registration requirements of the Securities Act and will be represented (i) except for the Class C Notes, initially by one or more global notes ("Restricted Global Notes") in fully registered form without interest coupons deposited with the Trustee (or, in the case of the Junior Notes, the Fiscal Agent) as custodian for, and registered in the name of, DTC (or its nominee) and (ii) in the case of the Class C Notes, by

certificates in fully registered, definitive form (the "Restricted Definitive Class C Notes"), registered in the name of the legal and beneficial owner thereof (or a nominee acting on behalf of the disclosed legal and beneficial owner). The Notes offered by the Co-Issuers (or, in the case of the Junior Notes, by the Issuer) outside the United States will be offered in reliance upon Regulation S and will be represented by one or more global notes ("Regulation S Global Notes") in fully registered form without interest coupons, deposited with the Trustee (or, in the case of the Junior Notes, the Fiscal Agent) as custodian for, and registered in the name of, DTC (or its nominee). Except in the limited circumstances described herein, certificated Notes will not be issued in exchange for beneficial interests in a Restricted Global Note or a Regulation S Global Note. See "Description of the Notes—Form, Denomination, Registration and Transfer." Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such listing will be obtained. No application will be made to list the Notes on any other exchange.

---

**Notice to New Hampshire Residents**

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

---

NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED HEREIN AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER, THE CO-ISSUER, THE PLACEMENT AGENT, THE COLLATERAL MANAGER, THE HEDGE COUNTERPARTIES 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 PLACEMENT AGENT 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 SECURITY OFFERED HEREBY SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CO-ISSUERS OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE AS OF WHICH SUCH INFORMATION IS GIVEN HEREIN. THE CO-ISSUERS AND THE PLACEMENT AGENT 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 AGGREGATE STATED PRINCIPAL AMOUNT OF ANY CLASS OF NOTES.

THE SENIOR NOTES ARE LIMITED RECOURSE OBLIGATIONS OF THE CO-ISSUERS. THE SENIOR NOTES ARE PAYABLE SOLELY FROM THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED BY THE ISSUER TO SECURE THE SENIOR NOTES PURSUANT TO THE INDENTURE. THE JUNIOR NOTES ARE LIMITED RECOURSE OBLIGATIONS OF THE ISSUER. THE JUNIOR NOTES ARE PAYABLE SOLELY FROM THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED BY THE ISSUER TO SECURE THE JUNIOR NOTES, WHICH LIEN WILL BE JUNIOR TO THE LIEN OF THE SENIOR NOTES PURSUANT TO THE INDENTURE.

NONE OF THE SECURITY HOLDERS, MEMBERS, OFFICERS, DIRECTORS, MANAGERS OR INCORPORATORS OF THE ISSUER, THE CO-ISSUER, THE TRUSTEE, THE FISCAL AGENT, THE ADMINISTRATOR, THE COLLATERAL MANAGER, ANY RATING AGENCY, THE SHARE TRUSTEE, THE PLACEMENT AGENT, ANY HEDGE COUNTERPARTY, ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PERSON OR ENTITY WILL BE OBLIGATED TO MAKE PAYMENTS ON THE NOTES. CONSEQUENTLY, THE NOTEHOLDERS MUST RELY SOLELY ON AMOUNTS RECEIVED IN RESPECT OF THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED TO SECURE THE NOTES FOR THE PAYMENT OF PRINCIPAL THEREOF AND INTEREST THEREON.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, EACH RECIPIENT OF THIS 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. INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENT RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. THIS

AUTHORIZATION TO DISCLOSE SUCH TAX TREATMENT AND TAX STRUCTURE DOES NOT PERMIT DISCLOSURE OF INFORMATION IDENTIFYING THE ISSUER, THE CO-ISSUER, THE COLLATERAL MANAGER OR ANY OTHER PARTY TO THE TRANSACTION, THIS OFFERING OR THE PRICING (EXCEPT TO THE EXTENT SUCH INFORMATION IS RELEVANT TO TAX STRUCTURE OR TAX TREATMENT) OF THIS OFFERING.

---

THE OFFERED SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE OFFERED SECURITIES ARE TO BE PURCHASED FOR INVESTMENT ONLY AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED BY AN INVESTOR DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OF U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY OFFERED SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREOF ("RULE 144A") OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ON ANY APPLICABLE STATE SECURITIES LAWS. FOR CERTAIN RESTRICTIONS ON RESALE, SEE "DESCRIPTION OF THE NOTES—FORM, DENOMINATION, REGISTRATION AND TRANSFER" AND "TRANSFER RESTRICTIONS." A TRANSFER OF OFFERED SECURITIES IS SUBJECT TO THE RESTRICTIONS DESCRIBED HEREIN, INCLUDING THAT NO SALE, PLEDGE, TRANSFER OR EXCHANGE MAY BE MADE OF AN OFFERED SECURITY (1) EXCEPT AS PERMITTED UNDER (A) THE SECURITIES ACT PURSUANT TO AN EXEMPTION FROM REGISTRATION AS DESCRIBED HEREIN, (B) APPLICABLE STATE SECURITIES LAWS AND (C) APPLICABLE SECURITIES LAWS OF ANY OTHER JURISDICTION, (2) EXCEPT IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SET FORTH IN THE INDENTURE OR THE FISCAL AGENCY AGREEMENT, AS APPLICABLE, AND (3) IN A DENOMINATION LESS THAN THE REQUIRED MINIMUM DENOMINATION. THE OFFERED SECURITIES ARE SUBJECT TO FURTHER RESTRICTIONS ON TRANSFER. SEE "TRANSFER RESTRICTIONS."

NEITHER OF THE CO-ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"), BY REASON OF THE EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 3(c)(7) THEREOF. NO TRANSFER OF THE OFFERED SECURITIES WHICH WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT WILL BE PERMITTED. ANY TRANSFER OF A REGULATION S NOTE OR A RESTRICTED NOTE THAT IS A DEFINITIVE NOTE MAY BE EFFECTED ONLY, IN THE CASE OF A SENIOR NOTE, ON THE SENIOR NOTE REGISTER MAINTAINED BY THE SENIOR NOTE REGISTRAR PURSUANT TO THE INDENTURE OR, IN THE CASE OF A JUNIOR NOTE, ON THE

JUNIOR NOTE REGISTER MAINTAINED BY THE JUNIOR NOTE REGISTRAR PURSUANT TO THE FISCAL AGENCY AGREEMENT. ANY TRANSFER OF AN INTEREST IN A RESTRICTED GLOBAL NOTE OR A REGULATION S GLOBAL NOTE WILL BE SHOWN ON, AND TRANSFERS THEREOF WILL BE EFFECTED ONLY THROUGH, RECORDS MAINTAINED BY DTC AND ITS DIRECT AND INDIRECT PARTICIPANTS (INCLUDING, IN THE CASE OF REGULATION S GLOBAL NOTES, EUROCLEAR AND CLEARSTREAM, LUXEMBOURG).

FOR THESE REASONS, AMONG OTHERS, AN INVESTMENT IN THE 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.

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

---

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

---

This Offering Circular has been prepared by the Co-Issuers solely for use in connection with the offering of the Offered Securities described herein (the "Offering") and for listing purposes. 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 (other than the information set forth under the headings "Collateral Manager" and "The Basis Swap Counterparty"). The Collateral Manager accepts responsibility for the information contained under the heading "Collateral Manager." To the best of the knowledge and belief of the Collateral Manager, having taken all reasonable care to ensure that such is the case, this section is in accordance with the facts and does not omit anything likely to affect the import

of such information. The Basis Swap Counterparty accepts responsibility for the information contained under the heading "The Basis Swap Counterparty." To the best of the knowledge and belief of the Basis Swap Counterparty, having taken all reasonable care to ensure that such is the case, this section is in accordance with the facts and does not omit anything likely to affect the import of such information. To the best knowledge and belief of the Co-Issuers, having taken all reasonable care to ensure that such is the case, the information contained in this document (other than the information set forth under the headings "Collateral Manager" and "The Basis Swap Counterparty") 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 Placement Agent nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein. Neither the Collateral Manager nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein (other than the information set forth herein under "Collateral Manager").

None of the Hedge Counterparties or any of their guarantors nor any of their respective affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein. Nothing contained in this Offering Circular is or should be relied upon as a promise or representation as to future results or events. Neither the Trustee nor the Fiscal Agent has participated in the preparation of this Offering Circular and neither assumes any responsibility for its contents.

All of the statements in this Offering Circular with respect to the business of the Co-Issuers, and any financial projections or other forecasts, are based on information furnished by the Co-Issuers. See "Forward Looking Statements." None of the Placement Agent, the Collateral Manager or any of their respective affiliates assume any responsibility for the performance of any obligations of either of the Co-Issuers or any other person described in this Offering Circular or for the due execution, validity or enforceability of the Offered Securities, instruments or documents delivered in connection with the Offered Securities (other than in respect of its own obligations), or for the value or validity of any collateral or security interests pledged in connection therewith. None of the Hedge Counterparties or their respective guarantors, if any, assumes any responsibility for the performance of any obligations of any other person described in this Offering Circular or for the due execution, validity or enforceability of the Offered Securities, instruments or documents delivered in connection with the Offered Securities (other than their own obligations under documents entered into by them) or for the value or validity of any collateral or security interests pledged in connection therewith.

This Offering Circular contains summaries of certain documents. The summaries do not purport to be complete and are qualified in their entirety by reference to such documents, copies of which will be made available to offerees upon request and are available at the office of the Trustee. Requests and inquiries regarding this Offering Circular or such documents should be directed to the Placement Agent at ICP Asset Management, LLC, 445 Park Avenue, 12th Floor, New York, New York 10022; Attention: Thomas Priore.

The Irish paying agent for the Notes will initially be Custom House Administration and Corporate Services Limited located in Dublin, Ireland (in such capacity, the "Irish Paying Agent").

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.

Each purchaser (an "Original Purchaser") from the Issuer in the initial distribution of an Offered Security offered and sold in the United States will be required or deemed to represent to the Placement Agent and the Co-Issuers (or, in the case of the Junior Notes, the Issuer) that it is (a) either (i) a "Qualified Institutional Buyer" (as defined in Rule 144A under the Securities Act) or (ii) in the case of the Class C Notes, an Accredited Investor within the meaning of Rule 501(a) (an "Accredited Investor") under the Securities Act and (b) in each case, a Qualified Purchaser acquiring the Offered Security for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). Each Original Purchaser of an Offered Security offered and sold in reliance on Regulation S will be required (deemed) to represent to the Placement Agent and the Co-Issuers (or, in the case of the Junior Notes, the Issuer) that it is not a U.S. person, as such term is defined in Regulation S (a "U.S. Person"), and is acquiring the Offered Security in an offshore transaction in accordance with Regulation S, for its own account (or as agent on behalf of a client account) and not for the account or benefit of a U.S. Person. Each Original Purchaser of Offered Securities will also be required (or, in certain circumstances, deemed) to acknowledge that the Offered Securities have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (a)(i) to a person (A) whom the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A and (B) that is a Qualified Purchaser, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (iii) in the case of a Class C Note, in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act), (b) in compliance with the certification and other requirements set forth in the Indenture or the Fiscal Agency Agreement, as applicable, and (c) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Each Original Purchaser of an Offered Security that is a U.S. Person will be deemed to represent that it or the account for which it is purchasing such Offered Security is a Qualified Purchaser. A "Qualified Purchaser" is (i) a "qualified purchaser" as defined in the Investment Company Act, (ii) a "knowledgeable employee" with respect to the Issuer within the meaning of Rule 3c-5 of the Investment Company Act or (iii) a company beneficially owned exclusively by one or more such "qualified purchasers" and/or "knowledgeable employees." For a description of these and certain other restrictions on offers and sales of the Offered Securities and distribution of this Offering Circular, see "Transfer Restrictions."

Although the Placement Agent may from time to time make a market in any Class of Notes, the Placement Agent is not under any obligation to do so. In the event that the Placement Agent commences any market-making, it may discontinue the same at any time. There can be no assurance that a secondary market for any Class of the Notes 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.

---

THIS OFFERING CIRCULAR IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED TO BE RELIED UPON ALONE AS THE BASIS FOR AN INVESTMENT DECISION. IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CO-ISSUERS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED AND MUST NOT RELY UPON INFORMATION PROVIDED BY OR STATEMENTS MADE BY THE PLACEMENT AGENT OR ANY OF ITS AFFILIATES. 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.

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

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.

---

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

---

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

---

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

## NOTICE TO FLORIDA RESIDENTS

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

## NOTICE TO CONNECTICUT RESIDENTS

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

## NOTICE TO GEORGIA RESIDENTS

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

## NOTICE TO RESIDENTS OF AUSTRIA

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS UNDER THE AUSTRIAN CAPITAL MARKETS ACT OR THE AUSTRIAN INVESTMENT FUNDS ACT. THIS OFFERING CIRCULAR HAS NOT BEEN EXAMINED BY A PROSPECTUS AUDITOR AND NO PROSPECTUS ON THE PRIVATE PLACEMENT OF THE OFFERED SECURITIES HAS BEEN PUBLISHED OR WILL BE PUBLISHED IN AUSTRIA. THE OFFERED SECURITIES ARE OFFERED IN AUSTRIA ONLY TO A RESTRICTED AND SELECTED NUMBER OF PROFESSIONAL AND SOPHISTICATED INDIVIDUAL INVESTORS, AND NO PUBLIC OFFERING OF THE OFFERED SECURITIES IN AUSTRIA IS BEING MADE OR IS INTENDED TO BE MADE. THE OFFERED SECURITIES CAN ONLY BE ACQUIRED FOR A COMMITMENT EXCEEDING 50,000 EUROS OR ITS EQUIVALENT VALUE IN ANY FOREIGN CURRENCY. THE INTERESTS ISSUED BY THE CO-ISSUERS ARE NOT OFFERED IN AUSTRIA, AND THE CO-ISSUERS ARE NOT AND WILL NOT BE REGISTERED AS A FOREIGN INVESTMENT FUND IN AUSTRIA.

---

## NOTICE TO RESIDENTS OF BELGIUM

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

---

## NOTICE TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS

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

---

## NOTICE TO RESIDENTS OF DENMARK

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

---

## NOTICE TO RESIDENTS OF EUROPEAN ECONOMIC AREA

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A "RELEVANT MEMBER STATE"), EACH DEALER HAS REPRESENTED AND AGREED, AND EACH FURTHER DEALER APPOINTED UNDER THE PROGRAMME WILL BE REQUIRED TO REPRESENT AND AGREE, THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE (THE "RELEVANT

IMPLEMENTATION DATE") IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE EXCEPT THAT IT MAY, WITH EFFECT FROM AND INCLUDING THE RELEVANT IMPLEMENTATION DATE, MAKE AN OFFER OF SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE:

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

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

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

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

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

---

## NOTICE TO RESIDENTS OF FINLAND

THIS OFFERING CIRCULAR HAS BEEN PREPARED FOR PRIVATE INFORMATION PURPOSES OF INTERESTED INVESTORS ONLY. IT MAY NOT BE USED FOR AND SHALL NOT BE DEEMED A PUBLIC OFFERING OF THE OFFERED SECURITIES. THE RAHOITUSTARKASTUS HAS NOT AUTHORIZED ANY OFFERING OF THE SUBSCRIPTION OF THE OFFERED SECURITIES; ACCORDINGLY, THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD IN FINLAND OR TO RESIDENTS THEREOF EXCEPT AS PERMITTED BY FINNISH LAW. THIS OFFERING CIRCULAR IS

STRICTLY FOR PRIVATE USE BY ITS HOLDER AND MAY NOT BE PASSED ON TO THIRD PARTIES.

---

NOTICE TO RESIDENTS OF FRANCE

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

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

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

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

---

NOTICE TO RESIDENTS OF GERMANY

THE OFFERED SECURITIES WILL NOT BE OFFERED OR SOLD IN THE FEDERAL REPUBLIC OF GERMANY OTHER THAN IN ACCORDANCE WITH THE GERMAN SECURITIES SALES PROSPECTUS ACT OF DECEMBER 13, 1990 OF THE FEDERAL REPUBLIC OF GERMANY, AS AMENDED (*WERTPAPIERVERKAUFSPROSPEKT-GESETZ*), THE GERMAN INVESTMENT ACT OF DECEMBER 15, 2003 OF THE FEDERAL REPUBLIC OF GERMANY, AS AMENDED (*INVESTMENTGESETZ*) AND ANY OTHER LEGAL OR REGULATORY REQUIREMENTS APPLICABLE IN THE FEDERAL REPUBLIC OF GERMANY GOVERNING THE ISSUE, OFFER AND SALE OF SECURITIES. NOTWITHSTANDING ANY REQUEST OF A GERMAN INVESTOR THEREFOR, THE ISSUER WILL NOT BE IN A POSITION TO, AND WILL NOT, COMPLY WITH ANY CALCULATION AND INFORMATION REQUIREMENTS SET FORTH IN § 5 THE *INVESTMENTSTEUERGESETZ* (THE "GERMAN INVESTMENT TAX ACT") FOR GERMAN TAX PURPOSES. IN THIS REGARD, PROSPECTIVE INVESTORS MUST

REVIEW "RISK FACTORS-APPLICATION OF THE GERMAN INVESTMENT ACT AND THE GERMAN INVESTMENT TAX ACT." ALL PROSPECTIVE GERMAN INVESTORS ARE URGED TO SEEK INDEPENDENT TAX ADVICE. THE PLACEMENT AGENT DOES NOT GIVE TAX ADVICE.

---

## NOTICE TO RESIDENTS OF HONG KONG

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

---

## NOTICE TO RESIDENTS OF JAPAN

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

## NOTICE TO RESIDENTS OF THE NETHERLANDS

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

## NOTICE TO RESIDENTS OF SINGAPORE

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

## NOTICE TO RESIDENTS OF SWITZERLAND

THE CO-ISSUERS HAVE NOT BEEN AUTHORIZED BY THE SWISS FEDERAL BANKING COMMISSION AS A FOREIGN INVESTMENT FUND UNDER ARTICLE 45 OF THE SWISS FEDERAL LAW ON INVESTMENT FUNDS OF 18 MARCH 1994. ACCORDINGLY, THE OFFERED SECURITIES MAY NOT BE OFFERED OR DISTRIBUTED ON A PROFESSIONAL BASIS IN OR FROM SWITZERLAND, AND NEITHER THIS OFFERING CIRCULAR NOR ANY OTHER OFFERING MATERIALS RELATING TO THE OFFERED SECURITIES MAY BE DISTRIBUTED IN CONNECTION WITH ANY SUCH OFFERING OR DISTRIBUTION. THE OFFERED SECURITIES MAY, HOWEVER, BE OFFERED AND THIS OFFERING CIRCULAR MAY BE DISTRIBUTED IN SWITZERLAND ON A PROFESSIONAL BASIS TO A LIMITED NUMBER OF

PROFESSIONAL INVESTORS IN CIRCUMSTANCES SUCH THAT THERE IS NO PUBLIC OFFER.

---

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

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

---

## AVAILABLE INFORMATION

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

---

## FORWARD LOOKING STATEMENTS

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

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

Debt Securities (particularly prior to the Ramp-Up Completion Date), available funds caps or other caps on the interest rate payable on the Collateral Debt Securities, timing mismatches on the reset of the interest rates between the Collateral Debt Securities, and the Notes, defaults under Collateral Debt Securities and the effectiveness of any Hedge Agreement, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Trustee, the Fiscal Agent, the Collateral Manager, the Placement Agent, any Hedge Counterparty or any of their respective affiliates or any other person or entity of the results that will actually be achieved by the Issuer.

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

## TABLE OF CONTENTS

## THE OFFERING

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

**Securities Offered:**

U.S.$1,500,000,000 aggregate principal amount Class A-1A First Priority Senior Secured Floating Rate Notes due October 2039 (the "Class A-1A Notes").

U.S.$1,499,950,000 aggregate principal amount Class A-1B1 First Priority Senior Secured Floating Rate Notes due October 2039 (the "Class A-1B1 Notes").

U.S.$1,499,950,000 aggregate principal amount Class A-1B2 First Priority Senior Secured Floating Rate Notes due October 2039 (the "Class A-1B2 Notes").

U.S.$100,000 aggregate principal amount Class A-1BV First Priority Senior Secured Floating Rate Notes due October 2039 (the "Class A-1BV Notes" and collectively with the Class A-1B1 Notes, the Class A-1B2 Notes and the Class A-1BV Notes, the "Class A-1B Notes"; the Class A-1A Notes and the Class A-1B Notes together the "Class A-1 Notes").

U.S.$400,000,000 aggregate principal amount Class A-2 Second Priority Senior Secured Floating Rate Notes due October 2039 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes").

U.S.$60,000,000 aggregate principal amount Class B Third Priority Senior Secured Floating Rate Notes due October 2039 (the "Class B Notes").

U.S.$20,000,000 aggregate principal amount Class X Fourth Priority Junior Secured Amortizing Deferrable Floating Rate Notes due October 2039 (the "Class X Notes").
U.S.$20,000,000 aggregate principal amount Class C Fifth Priority Junior Secured Deferrable Floating Rate Notes due October 2039 (the "Class C Notes").

Each of the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class X Notes and Class C Notes is referred to herein as a "Class" of Notes.

The Class A-1 Notes, Class A-2 Notes and Class B Notes are

referred to herein as the "Senior Notes."

The Class X Notes and the Class C Notes are referred to herein as the "Junior Notes."

The Senior Notes and the Junior Notes are collectively referred to herein as the "Notes" or the "Offered Securities."

The Senior Notes will be issued and secured pursuant to an Indenture dated as of the Closing Date (the "Indenture"), among the Issuer, the Co-Issuer and LaSalle Bank National Association, as trustee (in such capacity, together with its successors in such capacity, the "Trustee").

Each of the Hedge Counterparties, certain Synthetic Security Counterparties, the Collateral Manager and each holder of Class X Notes and Class C Notes (each such holder, a "Junior Noteholder") will be an express third party beneficiary of the Indenture. See "Description of the Notes—Status and Security" and "—The Indenture." The Senior Notes will be limited-recourse debt obligations of the Co-Issuers secured solely by a pledge of the Collateral by the Issuer to the Trustee pursuant to the Indenture for the benefit of the holders from time to time of the Senior Notes, each Hedge Counterparty, certain Synthetic Security Counterparties, the Collateral Manager (other than with respect to the Incentive Management Fee), the Collateral Administrator and the Trustee (collectively, the "Secured Parties"). See "Description of the Notes—Status and Security."

The Junior Notes will be issued pursuant to a deed of covenant dated as of the Closing Date (the "Deed of Covenant") by the Issuer and will be administered pursuant to a fiscal agency agreement dated as of the Closing Date (the "Fiscal Agency Agreement") between the Issuer and LaSalle Bank National Association, as fiscal agent (in such capacity, together with its successors and assigns in such capacity, the "Fiscal Agent").

The Junior Notes will be secured by the Collateral pursuant to a security agreement, dated as of the Closing Date (the "Security Agreement") between the Issuer and the Fiscal Agent, for the benefit of the Junior Noteholders. The lien of the Junior Noteholders pursuant to the Security Agreement ranks second in priority to the lien of the Secured Notes with respect to the Collateral.

All of the Class A-1A Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-1B1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-1B2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-1BV 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 X Notes are entitled to receive payments *pari passu* among themselves and all of the Class C Notes are entitled to receive payments *pari passu* among themselves.

Except as otherwise described in the Priority of Payments, the relative order of seniority of payment of each Class of Notes on each Quarterly Distribution Date is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, Class X Notes and, *fifth*, Class C Notes with (a) each Class of Notes (other than the Class C 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-1A Notes and the Class A-1B Notes) in such list being "Subordinate" to each other Class of Notes that precedes such Class of Notes in such list.

On each monthly Distribution Date the holders of the Class A-1 Notes will, after payment of certain other amounts, be entitled to receive interest and principal on the Class A-1 Notes payable on such Distribution Date. All remaining Interest Proceeds and Principal Proceeds will then be deposited into the Interest Collection Account and the Principal Collection Account for application in accordance with the Priority of Payments on the next Distribution Date. No Class of Notes other than the Class A-1 Notes will be entitled to receive a payment of interest on or principal of the Notes on a Distribution Date that is not also a Quarterly Distribution Date.

No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full.

No payment of principal of any Class of Notes will be made until all principal of, and accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that

| | |
|---|---|
| | remain outstanding have been paid in full, except for (i) payments of Class X Deferred Interest Amounts and Class C Deferred Interest Amounts and (ii) payments of Class X Principal Amounts. See "Description of the Notes—Priority of Payments."<br><br>On the Closing Date, the Issuer will issue one or more notes (the "**Class MT Notes**"), the holders of which will be paid on each Distribution Date the Class MT Note Distribution Amount. The Class MT Notes are not offered hereby. |
| **The Co-Issuers:** | Triaxx Prime CDO 2006-2, Ltd. (the "Issuer") is an exempted company incorporated under Cayman Islands law pursuant to the Amended and Restated Memorandum and Articles of Association of the Issuer (the "Issuer Charter"). The entire issued share capital of the Issuer consists of 250 ordinary shares, par value U.S.$1.00 per share, each of which will be held in trust for charitable purposes by Walkers SPV Limited in the Cayman Islands (the "Share Trustee") under the terms of a declaration of trust. The Indenture, the Fiscal Agency Agreement and the Issuer Charter will provide that the activities of the Issuer are limited to (1) acquiring, disposing of, and investing in Collateral Debt Securities and Equity Securities acquired by the Issuer in the limited circumstances described herein and Eligible Investments, (2) entering into and performing its obligations under the Indenture, the Deed of Covenant, the Fiscal Agency Agreement, the Collateral Management Agreement, the Administration Agreement, the Collateral Administration Agreement, the Placement Agency Agreement, the Account Control Agreement, the Synthetic Securities and the Hedge Agreements, (3) issuing and selling the Offered Securities, (4) pledging the Collateral as security for its obligations in respect of the Senior Notes and otherwise for the benefit of the Secured Parties, (5) owning the limited liability company interests of the Co-Issuer and (6) other activities incidental to the foregoing.<br><br>Triaxx Prime CDO 2006-2, LLC, a Delaware limited liability company (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), was formed for the sole purpose of co-issuing the Senior Notes.<br><br>The entire undivided limited liability company interest of the Co-Issuer is owned by the Issuer.<br><br>The Issuer will not have any material assets other than the Collateral Debt Securities, Equity Securities and Eligible |

| | |
|---|---|
| | Investments, and its rights under the Hedge Agreements, the Collateral Management Agreement and under certain other agreements entered into as described herein.<br><br>The Co-Issuer will be capitalized only to the extent of its U.S.$1,000 undivided limited liability company interest, will have no assets, other than the proceeds from the sale of its interests to the Issuer, and will not pledge any assets to secure the Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities or other assets held by the Issuer and will have no claim against the Issuer in respect of the Collateral Debt Securities or otherwise. |
| **The Collateral Manager:** | Certain advisory, consulting, administrative and related functions with respect to the Collateral Debt Securities will be performed by ICP Asset Management, LLC ("ICP"), as collateral manager (in such capacity, together with its successors in interest, the "Collateral Manager"), pursuant to a collateral management agreement entered into between the Issuer and the Collateral Manager on the Closing Date (the "Collateral Management Agreement").<br><br>Under the Collateral Management Agreement, the Collateral Manager will manage the acquisition and disposition of the Collateral Debt Securities, including exercising rights and remedies associated with the Collateral Debt Securities, disposing of the Collateral Debt Securities and certain related functions. See "Risk Factors—Conflicts of Interest Involving the Collateral Manager." |
| **Use of Proceeds:** | The gross proceeds received from the issuance and sale of the Offered Securities will be approximately U.S.$5,000,000,000. The net proceeds from the issuance and sale of the Offered Securities are expected to be approximately U.S.$4,984,700,000 which reflects the payment from such gross proceeds of organizational and structuring fees, and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Collateral Manager and the Placement Agent), the expenses, fees and commissions incurred in connection with the acquisition of the Collateral Debt Securities for inclusion in the Collateral on or prior to the Closing Date, the expenses of the offering (the "Offering") of the Offered Securities (including fees payable to the Placement Agent in connection with the Offering) and 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 Residential Mortgage-Backed Securities and Synthetic Securities the Reference Obligations of which are Residential Mortgage-Backed Securities that, in each case, satisfy the Eligibility Criteria. Pending the purchase of such portfolio, such net proceeds may be temporarily invested in Eligible Investments. See "Security for the Notes." |
| **Interest Payments on the Notes:** | The Class A-1A Notes will bear interest at a floating rate *per annum* equal to one-month LIBOR (determined as described herein) *plus* 0.26%. The Class A-1B1 Notes will bear interest at a floating rate *per annum* equal to one-month LIBOR (determined as described herein) *plus* 0.26%. The Class A-1B2 Notes will bear interest at a floating rate *per annum* equal to one-month LIBOR (determined as described herein) *plus* 0.26%. The Class A-1BV Notes will bear interest at a floating rate *per annum* equal to one-month LIBOR (determined as described herein) *plus* 0.26%. The Class A-2 Notes will bear interest at a floating rate *per annum* equal to three-month LIBOR (determined as described herein) *plus* 0.525%. The Class B Notes will bear interest at a floating rate *per annum* equal to three-month LIBOR (determined as described herein) *plus* 0.80%. The Class X Notes will bear interest at a floating rate *per annum* equal to three-month LIBOR (determined as described herein) *plus* 1.35%. The Class C Notes will bear interest at a floating rate *per annum* equal to three-month LIBOR (determined as described herein) *plus* 1.55%. Interest on the Notes will be computed on the basis of a 360-day year and the actual number of days elapsed. LIBOR for the first Interest Period for all Notes will be an interpolated LIBOR for the period from the Closing Date to the first Quarterly Distribution Date.<br><br>With respect to the Class A-1 Notes, interest will accrue on the Aggregate Outstanding Amount of such Class (i) in the case of the initial Interest Period, for the period from and including the Closing Date to but excluding the next succeeding Distribution Date and (ii) thereafter, the period from and including the Distribution Date immediately following the last day of the immediately preceding Interest Period, to, but excluding, the next succeeding Distribution Date.<br><br>With respect to each other Class of Notes, interest will accrue on the Aggregate Outstanding Amount of such Class (i) in the case of the initial Interest Period, for the period from and including the Closing Date to but excluding the first applicable Quarterly Distribution Date and (ii) thereafter, for |

| | |
|---|---|
| | the period from and including the Quarterly Distribution Date immediately following the immediately preceding Interest Period, to but excluding the next succeeding Quarterly Distribution Date until such Notes are paid in full.<br><br>Accrued and unpaid interest on the Class A-1 Notes will be payable monthly in arrears on each Distribution Date (commencing on the February 2007 Distribution Date) in accordance with the Priority of Payments. With respect to all other Classes of Notes, accrued and unpaid interest will be payable quarterly in arrears on each Quarterly Distribution Date in accordance with the Priority of Payments.<br><br>On each Distribution Date that is not a Quarterly Distribution Date, after application to pay interest owed on the Class A-1 Notes, Interest Proceeds will be deposited into the Interest Collection Account for application on subsequent Distribution Dates in accordance with the Priority of Payments. Interest on all other Classes of Notes will be payable only on Quarterly Distribution Dates in accordance with the Priority of Payments. See "Description of the Notes—Interest."<br><br>So long as any Class A-1 Notes, Class A-2 Notes or Class B Notes are outstanding, any interest due on the Class X Notes which is not paid as a result of the operation of the Priority of Payments on any Distribution Date (any such interest, the "Class X Deferred Interest Amount") shall be deferred and added to the Aggregate Outstanding Amount of the Class X Notes, and shall not be considered "due and payable" until the Quarterly Distribution Date on which funds are available to pay such Class X Deferred Interest Amount in accordance with the Priority of Payments.<br><br>So long as any Class A-1 Notes, Class A-2 Notes, Class B Notes or Class X Notes are outstanding, any interest due on the Class C Notes which is not paid as a result of the operation of the Priority of Payments on any Distribution Date (any such interest, the "Class C Deferred Interest Amount") shall be deferred and added to the Aggregate Outstanding Amount of the Class C Notes, and shall not be considered "due and payable" until the Quarterly Distribution Date on which funds are available to pay such Class C Deferred Interest Amount in accordance with the Priority of Payments. |
| **Average Life:** | The stated maturity of the Notes is the Quarterly Distribution Date in October 2039 (with respect to each Class of Notes, the "Stated Maturity"). Each Class of Notes will mature at the |

| | |
|---|---|
| | applicable Stated Maturity unless redeemed or repaid prior thereto. The average life of each Class of Notes will be less than the number of years until the Stated Maturity of the Notes. See "Maturity, Prepayment and Yield Considerations" and "Risk Factors—Projections, Forecasts and Estimates." |
| **Reinvestment Period:** | Until the end of the Reinvestment Period, the Collateral Manager may reinvest the Principal Proceeds of Collateral Debt Securities in substitute Collateral Debt Securities in compliance with the Eligibility Criteria. See "Description of the Notes—Reinvestment Period," "Security for the Notes—Eligibility Criteria" and "—Dispositions of Collateral Debt Securities."<br><br>The "Reinvestment Period" is the period from (and including) the Closing Date to (but excluding) the earliest of (a) the Quarterly Distribution Date occurring in January 2012 or the date of any Optional Redemption or Tax Redemption occurring prior to the Distribution Date in January 2012, (b) the Distribution Date on which the Collateral Manager specifies (by notice to the Trustee) that no further investments in substitute Collateral Debt Securities will occur, (c) the date on which an Indenture Event of Default or a Fiscal Agency Agreement Event of Default occurs, (d) the date on which ICP gives notice of its resignation as Collateral Manager, or the Issuer delivers a notice of termination to ICP notifying it of its termination as Collateral Manager (in accordance with the Collateral Management Agreement), (e) any Measurement Date on which the Moody's Maximum Rating Distribution is greater than 5 and (f) the occurrence of a Rating Trigger. |
| **Principal Repayment:** | During the Reinvestment Period, Principal Proceeds may be reinvested in (or held for reinvestment in) substitute Collateral Debt Securities. On any Distribution Date on or prior to the last day of the Reinvestment Period, the Collateral Manager may elect, by written notice to the Trustee prior to the relevant Determination Date, to apply all or a portion of Principal Proceeds received by the Issuer during the related Due Period to the payment of principal of the Notes in accordance with the Priority of Payments. After the Reinvestment Period, all Principal Proceeds will be applied, after paying other amounts in accordance with the Priority of Payments, to pay principal of each Class of Notes on each Distribution Date (or Quarterly Distribution Date, in the case of each Class of Notes other than the Class A-1 Notes). The amount and frequency of principal payments on a Class of Notes will depend upon, among other things, the amount and frequency of payments of |

principal and interest received with respect to the Collateral Debt Securities.

No Payments of principal may be made on the Notes (other than the Class X Notes) prior to the end of the Reinvestment Period except in the following circumstances (subject, in each case, to the Priority of Payments): (a) in connection with an Optional Redemption, Tax Redemption, Auction Call Redemption or Accelerated Maturity Date, (b) on any Quarterly Distribution Date from Interest Proceeds (and then Principal Proceeds, if needed), upon the failure of the Issuer to meet any Coverage Test as of the related Determination Date, (c) in the event of a Rating Confirmation Failure, (d) to pay any Class C Deferred Interest Amount and Class X Deferred Interest Amount, (e) to pay Class X Principal Amounts, (f) on each Quarterly Distribution Date from Interest Proceeds, to pay principal of the Class C Notes to the extent specified in the Interest Proceeds Waterfall, (g) on any Quarterly Distribution Date on or after the Quarterly Distribution Date in January 2015, from Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Collateral Manager, in inverse order of seniority, until the Notes have been paid in full and (h) upon the election by the Collateral Manager (in written notice to the Trustee given prior to the relevant Determination Date) to apply Principal Proceeds designated by it in accordance with the Priority of Payments on the immediately succeeding Distribution Date.

The Class X Principal Amount will be payable on each Quarterly Distribution Date from Interest Proceeds and, to the extent that Interest Proceeds are insufficient to pay such amount on such Distribution Date, Principal Proceeds.

With respect to each Class of Notes other than the Class A-1 Notes, principal will be payable only on Quarterly Distribution Dates.

On any Quarterly Distribution Date which occurs after the last day of the Reinvestment Period, Principal Proceeds (after payment of certain other amounts) will be applied in accordance with the Priority of Payments to pay principal of the Notes in direct order of seniority, with the principal of Class A-1A Notes and the Class A-1B Notes being paid in accordance with the Class A-1B Payment Priority, pro rata (based on the Aggregate Outstanding Amount of each Class of Notes) prior to the payment of principal of Class A-2 Notes, the principal of Class A-2 Notes being paid prior to the

| | |
|---|---|
| | payment of the principal of Class B Notes, the principal of Class B Notes being paid prior to the payment of the principal of Class X Notes and the principal of Class X Notes being paid prior to the payment of the principal of Class C Notes.<br><br>So long as any Class A-1 Notes, Class A-2 Notes or Class B Notes are outstanding, if a Class A/B Coverage Test is not satisfied on any Determination Date related to a Quarterly Distribution Date, then Interest Proceeds that would otherwise be used to make payments on such Quarterly Distribution Date in respect of principal and interest on any Class X Notes, interest on any Class C Notes and certain fees and expenses will be used instead to redeem the principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes and, *third*, the Class B Notes, until such Class A/B Coverage Test is satisfied.<br><br>Additionally, so long as any Class A-1 Note, Class A-2 Note, Class B Note or Class C Note is outstanding, if a Class C Coverage Test is not satisfied on any Determination Date related to a Quarterly Distribution Date, then Interest Proceeds that would otherwise be used to make payments on such Quarterly Distribution Date in respect of certain fees and expenses will be used instead to redeem principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth* (solely in the case of the Class C Interest Coverage Test) the Class X Notes and *fifth*, the Class C Notes until such Class C Coverage Test has been satisfied.<br><br>The Overcollateralization Tests will not apply during the Ramp-Up Period. The Interest Coverage Tests will not apply until the first Quarterly Distribution Date following the Ramp-Up Completion Date.<br><br>See "Description of the Notes—Priority of Payments—Principal Proceeds," "—Priority of Payments—Interest Proceeds," "—Optional Redemption and Tax Redemption," "—Mandatory Redemption" and "—Auction Call Redemption." |
| **Mandatory Redemption:** | The Notes will, on any Quarterly Distribution Date, be subject to mandatory redemption in the event that any Coverage Test |

| | |
|---|---|
| | applicable to any such Class of Notes is not satisfied on the related Determination Date. Any such redemption will be effected from Interest Proceeds (and then Principal Proceeds, if needed) to the extent necessary to cause each applicable Coverage Test to be satisfied.<br><br>Any such redemption will be effected as described under "Description of the Notes—Priority of Payments."<br><br>In the event of a Rating Confirmation Failure, as described under "Description of the Notes—Mandatory Redemption," on the first Quarterly Distribution Date following such Rating Confirmation Failure, the Issuer will be required to apply all Uninvested Proceeds (other than those required to complete purchases of Collateral Debt Securities) to redeem Notes in direct order of seniority. If such Uninvested Proceeds are insufficient to redeem the Notes to the extent necessary in order to obtain the Rating Confirmation, on such Quarterly Distribution Date and on each Quarterly Distribution Date thereafter, the Issuer will be required to apply Interest Proceeds and, to the extent that Interest Proceeds are insufficient, Principal Proceeds to the repayment of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class X Notes and, *fifth*, the Class C Notes, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation. |
| **Optional Redemption and Tax Redemption of the Notes:** | Subject to certain conditions described herein, on the Quarterly Distribution Date occurring in January 2012 or on any Quarterly Distribution Date thereafter, the Issuer may redeem the Notes (such redemption, an "Optional Redemption"), in whole but not in part, at the direction of holders of at least a SupraMajority of the Class C Notes with the consent of the Collateral Manager at the applicable Redemption Price therefor. See "Description of the Notes—Optional Redemption and Tax Redemption." |

| | |
|---|---|
| | In addition, upon the occurrence of a Tax Event, subject to the satisfaction of the Tax Materiality Condition, the Issuer may redeem the Notes (such redemption, a "Tax Redemption") on any Quarterly Distribution Date, in whole but not in part, at the applicable Redemption Price therefor (i) at the written direction of the holders of at least a SupraMajority of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest due and payable to such Class on any Distribution Date or Quarterly Distribution Date, as applicable (each such Class, an "Affected Class") or (ii) at the written direction of holders of at least a SupraMajority of the Class C Notes.<br><br>No Optional Redemption or Tax Redemption may be effected, however, unless Sale Proceeds, together with all cash and Eligible Investments maturing on or prior to the scheduled Redemption Date credited to the Interest Collection Account, the Principal Collection Account, the Uninvested Proceeds Account, the Interest Reserve Account, the Quarterly Interest Reserve Account, the Expense Account, the Payment Account and each Synthetic Security Counterparty Account (taking into account any termination or assignment payment to be made by or to the Issuer and the amount to be released from each Synthetic Security Counterparty Account in connection with the termination or assignment of each Synthetic Security, as determined in accordance with the terms of each such Synthetic Security) (the "Available Redemption Funds") are at least equal to an amount sufficient to pay (in accordance with the Priority of Payments) the Total Senior Redemption Amount. |
| **Auction Call Redemption:** | If the Notes have not been redeemed in full prior to the Quarterly Distribution Date occurring in January 2015, then an auction of the Collateral Debt Securities will be conducted by the Trustee on behalf of the Issuer, and *provided* that certain conditions are satisfied, the Collateral Debt Securities will be sold and the Notes will be redeemed on such Quarterly Distribution Date. If such conditions are not satisfied and the 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." |
| **Security for the Notes:** | Pursuant to the Indenture, the Senior Notes (together with the Issuer's obligations to any Hedge Counterparty under a Hedge Agreement, to the Synthetic Security Counterparties under the |

Defeased Synthetic Securities, to the Collateral Manager under the Collateral Management Agreement (other than the payment of Incentive Management Fees) and to the Trustee, Collateral Administrator and the Fiscal Agent under the Indenture, Collateral Administration Agreement and Fiscal Agency Agreement), will be secured by: (a) the Custodial Account, the Collateral Debt Securities and the Equity Securities, (b) the Interest Collection Account, the Uninvested Proceeds Account, the Principal Collection Account, the Payment Account, the Expense Account, the Quarterly Interest Reserve Account, the Interest Reserve Account, each Synthetic Security Counterparty Account (subject, in the case of each Synthetic Security Counterparty Account to the prior rights, if any, of the related Synthetic Security Counterparty), 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, the Issuer's rights in and to each Synthetic Security Issuer Account and the Issuer's rights in and to each Hedge Counterparty Collateral Account, (c) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, all agreements relating to the Synthetic Securities and each Hedge Agreement, (d) all cash delivered to the Trustee, and (e) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses, but excluding Excepted Property (collectively, the "Collateral"); *provided* that each Synthetic Security Counterparty Account (and all funds and other property credited thereto) will also be held by the Trustee for the benefit of the related Synthetic Security Counterparty. In the event of any realization on the Collateral, proceeds will be applied in accordance with the respective priorities established by the Priority of Payments. The security interest granted under the Indenture in each Synthetic Security Counterparty Account (and all funds and other property credited thereto), for the benefit of the Secured Parties, is subject to, and subordinate to the security interest and rights of, the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account.

The Junior Notes will be secured by the Collateral pursuant to the Security Agreement. The lien of the Junior Notes ranks junior in priority to the lien of the Senior Notes in respect of the Collateral. Amounts payable to the Junior Notes will be released from the lien of the Indenture and paid to the Fiscal

| | |
|---|---|
| | Agent for application to payment of the Junior Notes in accordance with the Fiscal Agency Agreement. |
| **Acquisitions and Dispositions of Collateral:** | 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.$3,000,000,000. The Issuer expects that, no later than the Ramp-Up Completion Date, it will have purchased (or entered into agreements to purchase for settlement following the Ramp-Up Completion Date) Collateral Debt Securities having an Aggregate Principal Balance (together with certain other amounts) of at least U.S.$4,984,700,000. All of the Collateral Debt Securities (or Reference Obligations, in the case of Synthetic Securities) will consist of Residential A Mortgage Securities ("Residential Mortgage-Backed Securities").<br><br>An investor or prospective investor in the Offered Securities may request from the Trustee a list of the Collateral Debt Securities owned by the Issuer.<br><br>*Ramp-Up Period*. During the period (the "Ramp-Up Period") from and including the Closing Date to, and including, the Ramp-Up Completion Date, the Collateral Manager, on behalf of the Issuer, may direct the Trustee to apply Uninvested Proceeds to purchase Collateral Debt Securities designated by the Collateral Manager for inclusion in the Collateral.<br><br>The Issuer will notify (such notification, a "Ramp-Up Notice") the Trustee, the Fiscal Agent, each Rating Agency and each Hedge Counterparty within one Business Day after the Ramp-Up Completion Date and request that Standard & Poor's and (if a Deemed Confirmation does not occur) Moody's confirm to the Issuer that it has not reduced or withdrawn the rating assigned by it on the Closing Date to any Class of Notes (together with a Deemed Confirmation, a "Rating Confirmation").<br><br>"Deemed Confirmation" means the delivery by the Issuer pursuant to the Indenture of an officer's certificate and an accountant's report which demonstrate compliance with the Ramp-Up Period Purchase Obligations, satisfaction of each Collateral Quality Test and each Overcollateralization Test and compliance with the Eligibility Criteria specified in paragraphs (5), (20) through (22), (30) and (31) of the Eligibility Criteria. |

The Issuer will have complied with the "Ramp-Up Period Purchase Obligations" if it enters into binding agreements to purchase, on or before March 18, 2007, Collateral Debt Securities having an Aggregate Principal Balance (together with certain other amounts) of not less than U.S.$4,984,700,000 and at least 50 obligors.

Although the Issuer expects that the Collateral Debt Securities purchased by it will, on the Ramp-Up Completion Date, satisfy the Eligibility Criteria, Collateral Quality Tests and Overcollateralization Tests described herein, there is no assurance that such criteria and such tests will be satisfied on such date. Failure to satisfy such criteria and such tests on the Ramp-Up Completion Date may result in the repayment or redemption of a portion of the Notes (according to the priority specified in the Priority of Payments), but will not constitute an Indenture Event of Default or a Fiscal Agency Agreement Event of Default. See "Description of the Notes—Mandatory Redemption."

No Uninvested Proceeds will be used to invest in Collateral Debt Securities after the Ramp-Up Completion Date, except to complete any purchase that the Issuer committed to make during the Ramp-Up Period. Uninvested Proceeds may be used to pay principal of the Notes to the extent necessary to obtain a Rating Confirmation. During the Reinvestment Period, the Collateral Manager may reinvest Principal Proceeds (subject to the conditions specified under "Description of the Notes—Reinvestment Period") in substitute Collateral Debt Securities.

*Interim Ramp-Up Tests*. In the event that on January 31, 2007 (the "Interim Ramp-Up Test Date"), either (i) the Issuer has not purchased (or entered into agreements to purchase for settlement following the Interim Ramp-Up Test Date) Collateral Debt Securities having an Aggregate Principal Balance (together with certain other amounts) of at least U.S.$4,000,000,000 or (ii) the Weighted Average Spread Test is less than 0.47% (clauses (i) and (ii) being the "Interim Ramp-Up Tests"), the Issuer must propose a plan to the Rating Agencies (a "Proposed Plan") for achieving compliance with the Interim Ramp-Up Tests by the Ramp-Up Completion Date that satisfies the Rating Condition. Until the Rating Condition is satisfied with respect to a Proposed Plan, the Issuer will be prohibited from purchasing additional Collateral Debt Securities. The Issuer expects that it will satisfy the Interim Ramp-Up Tests on the Interim Ramp-Up

| | |
|---|---|
| | Test Date.<br><br>*Reinvestment Period*. During the Reinvestment Period the Collateral Manager may cause the Issuer to apply Principal Proceeds to invest in substitute Collateral Debt Securities, subject to satisfaction of the Eligibility Criteria. See "Description of the Notes—Reinvestment Period." No reinvestment in substitute Collateral Debt Securities will be made by the Issuer after the last day of the Reinvestment Period; *provided, however*, that the Issuer may, after the last day of the Reinvestment Period, complete any purchase which it committed to make on or prior to the last day of the Reinvestment Period. Unless terminated earlier as described under "Description of the Notes—Reinvestment Period," the Reinvestment Period will end on the Distribution Date in January 2012. |
| **Hedge Agreements:** | On the Closing Date, the Issuer will enter into an interest rate protection agreement (the "Basis Swap") with AIG Financial Products Corp. (the "Basis Swap Counterparty"). On and after the Closing Date, the Issuer may enter into additional interest rate protection agreements, consisting of fixed rate for floating rate interest swaps, floating/floating interest rate swaps, basis swaps, interest rate caps or other forms of interest rate derivatives (each such agreement, and any replacement therefor entered into in accordance with the Indenture, a "Hedge Agreement") with the Basis Swap Counterparty or another counterparty meeting the requirements set forth in the Indenture (each, a "Hedge Counterparty"). |
| **Liquidation of Collateral Debt Securities:** | On the Quarterly Distribution Date in October 2039, or in connection with any Optional Redemption, Tax Redemption, Auction Call Redemption or Accelerated Maturity Date, the Collateral Debt Securities, Eligible Investments and other collateral will be liquidated, subject to certain limitations, and in accordance with certain procedures, which are set forth in the Indenture. All net proceeds from such liquidation and all available cash will be applied to the payment (in the order of priorities set forth under "Description of the Notes—Priority of Payments") of all (i) fees, (ii) expenses (including termination payments under any Hedge Agreements) and (iii) principal of and interest (including the Class X Deferred Interest Amount, the Class C Deferred Interest Amount, Defaulted Interest and interest on Defaulted Interest, if any) on the Notes. Any net proceeds from such liquidation remaining after all payments required pursuant to the |

| | |
|---|---|
| | Indenture and the payment of the costs and expenses of such liquidation, the establishment of adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Issuer, the return of U.S.$250 of capital contributed to the Issuer by, and the payment of a U.S.$250 profit fee to, the owner of the Issuer's ordinary shares, will be distributed to the Collateral Manager.<br><br>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 falling one year and two days after the Stated Maturity of the Notes, upon the shareholders' determination to dissolve the Issuer, (ii) at any time after the sale or other disposition of all of the Issuer's assets, upon the shareholders' determination to dissolve the Issuer, (iii) at any time after the Notes are paid in full, upon the shareholders' determination to dissolve the Issuer and (iv) on the date of a winding up pursuant to the provisions of or as contemplated by The Companies Law (2004 Revision) of the Cayman Islands as then in effect. |
| **Plan of Distribution:** | The Offered Securities are being offered for sale in an initial distribution by the Issuer, ICP Securities, LLC (the "Placement Agent") to investors (the "Original Purchasers") (a) in the United States that (i) are either "Qualified Institutional Buyers" (each, a "Qualified Institutional Buyer"), as defined in Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act"), acquiring the Offered Security for their own account or, in the case of the Class C Notes, Accredited Investors within the meaning of Rule 501(a) (each, an "Accredited Investor") under the Securities Act acquiring the security in reliance on an exemption from registration under the Securities Act, (ii) are Qualified Purchasers and (iii) are acquiring the Offered Securities for their own accounts for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A), (b) outside the United States which are not U.S. persons, as such term is defined in Regulation S ("Regulation S") under the Securities Act (each, a "U.S. Person") in offshore transactions in reliance on Regulation S and (c) in each case, in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Offered Securities offered for sale to a U.S. Person will be offered only to Qualified Purchasers. A "Qualified Purchaser" is (i) a "qualified purchaser" as defined in the Investment Company Act of 1940, as amended (the "Investment Company Act"), (ii) a "knowledgeable employee" with respect to the Issuer within |

| | |
|---|---|
| | the meaning of Rule 3c-5 of the Investment Company Act or (iii) a company beneficially owned exclusively by one or more such "qualified purchasers" and/or "knowledgeable employees." See "Plan of Distribution" and "Transfer Restrictions." |
| **Ratings:** | It is a condition to the issuance of the Offered Securities that the Class A-1A Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's" and, together with Moody's, the "Rating Agencies"), that the Class A-1B1 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, that the Class A-1B2 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, that the Class A-1BV Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, that the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, that the Class B Notes be rated at least "Aa2" by Moody's and at least "AA" by Standard & Poor's, that the Class X Notes be rated at least "A1" by Moody's and at least "A+" by Standard & Poor's and that the Class C Notes be rated at least "A2" by Moody's and at least "A" by Standard & Poor's. |
| **Minimum Denominations:** | The Senior Notes will be issuable in minimum denominations of U.S.$100,000 and will be offered only in such minimum denominations or integrals multiples of U.S.$1,000 in excess thereof. The Junior Notes will be issuable in minimum denominations of U.S.$250,000 and will be offered only in such minimum denominations or integral multiples of U.S.$1,000 in excess thereof.<br><br>After issuance, a Note may fail to be in compliance with the minimum denomination requirement stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments. Class X Notes and Class C Notes may fail to be in an amount that is an integral multiple of U.S.$1,000 because of the addition to the principal amount thereof of Class X Deferred Interest Amount and Class C Deferred Interest Amount, respectively. See "Description of the Notes—Form, Denomination, Registration and Transfer." |
| **Form, Registration and Transfer of the Notes:** | The Notes offered in reliance upon Regulation S ("Regulation S Notes") will be represented by one or more global notes ("Regulation S Global Notes") in fully registered form without interest coupons deposited with the Trustee as custodian for, and registered in the name of, The Depository |

Trust Company ("DTC") (or its nominee) initially for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Interests in the Regulation S Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants (including Euroclear and Clearstream, Luxembourg). Class C Notes that are Regulation S Notes ("Regulation S Class C Notes") will be issued in global form ("Regulation S Global Class C Notes").

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

The Regulation S Global Notes and the Restricted Global Notes are collectively referred to herein as "Global Notes." Under certain limited circumstances described herein, definitive registered Notes may be issued in exchange for Global Notes.

No Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Restricted Note except (a) to a transferee (i) that the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) (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) in compliance with the certification (if any) and other requirements set forth in the Indenture or the Fiscal Agency Agreement (as applicable) and (c) in accordance with any applicable securities laws of any state of the United States and

any other relevant jurisdiction.

No Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Regulation S Note unless such transfer is (a) not made to a U.S. Person or for the account or benefit of a U.S. Person and (b) effected in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S, (c) in compliance with the certification (if any) and other requirements set forth in the Indenture or the Fiscal Agency Agreement (as applicable) and (d) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Note (or any interest therein) may be transferred, and none of the Trustee and the Senior Note Registrar (in the case of Senior Notes) and the Fiscal Agent and the Junior Note Registrar (in the case of Junior Notes) will recognize any such transfer, unless (a) such transfer is made in a manner exempt from registration under the Securities Act, (b) such transfer is made in denominations greater than or equal to the minimum denomination therefor, (c) such transfer would not have the effect of requiring either of the Co-Issuers or the Collateral to register as an investment company under the Investment Company Act and (d) the transferee is able to make all applicable certifications and representations required by the relevant transfer certificate attached as an exhibit to the Indenture or the Fiscal Agency Agreement (as applicable) (if the Indenture or the Fiscal Agency Agreement (as applicable) requires that a transfer certificate be delivered in connection with such a transfer). Notwithstanding the foregoing, (x) an owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification; *provided* that (1) such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures and (2) any transfer not effected in an offshore transaction in accordance with Rule 904 of Regulation S may be made only upon provision to the Senior Note Registrar or the Junior Note Registrar (as applicable) of written certification from the transferee and transferor in the form provided for in the Indenture or the Fiscal Agency Agreement (as applicable) and (y) 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. See "Description of the Notes—Form, Denomination, Registration and Transfer" and "Transfer Restrictions."

The Indenture (in the case of the Senior Notes) and the Fiscal Agency Agreement (in the case of the Junior Notes) each provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers (or, in the case of a Junior Note, the Issuer) determines that any beneficial owner or holder of (A) a Regulation S Note (or any interest therein) is a U.S. Person or (B) a Restricted Note (or any interest therein) is not a Qualified Institutional Buyer and also a Qualified Purchaser, then either of the Co-Issuers (or, in the case of a Junior Note, the Issuer) shall require, by notice to such beneficial owner or holder, as the case may be, that such beneficial owner or holder sell all of its right, title and interest to such Restricted Note (or any interest therein) to a person that (1) in the case of a person holding its interest through a Regulation S Note, is not a U.S. Person or (2) in the case of a person holding its interest through a Restricted Note, is both (I) a Qualified Institutional Buyer or, in the case of a Class C Note, an Accredited Investor and (II) a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner or holder fails to effect the transfer required within such 30-day period, (i) upon written direction from the Collateral Manager or the Issuer, the Trustee (in the case of the Senior Notes) or the Fiscal Agent (in the case of the Junior Notes), on behalf of and at the expense of the Issuer, shall, and is hereby irrevocably authorized by such beneficial owner or holder to, cause such beneficial owner's or holder's interest in such Note to be transferred in a commercially reasonable sale (conducted by an investment bank selected by the Trustee or the Fiscal Agent (as applicable) and approved by the Issuer in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee (in the case of the Senior Notes) or the Fiscal Agent (in the case of the Junior Notes) and the Co-Issuers (or, in the case of a Junior Note, the Issuer), in connection with such transfer, that such person (x) is not a U.S. Person (in the case of a person holding its interest through a Regulation S Note) or (y) is both (1) a Qualified Institutional Buyer or, in the case of a Class C Note, an Accredited Investor and (2) a Qualified Purchaser (in the case of a person holding its interest through

| | |
|---|---|
| | a Restricted Note) and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner or holder and such Note shall be deemed not to be outstanding for the purpose of any vote or consent of the Noteholders. |
| **Listing:** | Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that such application will be granted. No application will be made to list the Notes on any other stock exchange. If any Class or Classes of Notes are admitted to the official list of the Irish Stock Exchange, the Issuer may at any time terminate the listing of such Class or Classes of Notes. See "Listing and General Information." |
| **Irish Listing Agent; Irish Paying Agent:** | McCann FitzGerald Listing Services Limited is expected to be the Irish Listing Agent and Custom House Administration and Corporate Services Limited is expected to be the Irish Paying Agent for the Notes (in such capacities, the "Irish Listing Agent" and the "Irish Paying Agent," respectively). |
| **Governing Law:** | The Notes, the Indenture, the Collateral Management Agreement, the Collateral Administration Agreement, the Fiscal Agency Agreement, each Hedge Agreement and the Placement Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York. The Junior Notes, the Deed of Covenant, the Administration Agreement and the Issuer Charter will be governed by, and construed in accordance with, the laws of the Cayman Islands. |
| **Tax Matters:** | See "Income Tax Considerations." |
| **ERISA Considerations:** | See "ERISA Considerations" |
| **Benefit Plan Investors:** | See "ERISA Considerations." |

## RISK FACTORS

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

*Limited Liquidity*. There is currently no market for the Offered Securities. Although the Placement Agent may from time to time make a market in any Class of Notes, the Placement Agent is not under any obligation to do so. In the event that the Placement Agent 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.

*Limited Recourse Obligations*. The Senior Notes are limited recourse obligations of the Co-Issuers, payable solely from the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Senior Notes. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Co-Issuer, the Trustee, the Fiscal Agent, any Hedge Counterparty or any of their respective guarantors, the Collateral Manager, the Administrator, any Rating Agency, the Share Trustee, the Placement Agent, any of their respective affiliates and any other person or entity will be obligated to make payments on the Senior Notes. Consequently, the Senior Noteholders must rely solely on amounts received in respect of the Collateral Debt Securities and other Collateral pledged to secure the Senior Notes for the payment of principal thereof and interest thereon. The Junior Notes are limited-recourse obligations of the Issuer and are secured by a second priority lien on the Collateral. The Issuer has, pursuant to the Indenture, pledged substantially all of its assets to secure its obligations to the Secured Parties and, pursuant to the Security Agreement, the Junior Noteholders. The security interest of the Secured Parties in the Collateral ranks prior to the security interest of the Junior Noteholders therein.

There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral will be sufficient to make payments on any Class of Notes, in particular after making payments on more Senior Classes of Notes and certain other required amounts ranking Senior to such Class. The Issuer's ability to make payments in respect of any Class of Notes will be constrained by the terms of the Notes of Classes more Senior to such Class and the Indenture. If distributions on the Collateral are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Co-Issuers to pay such deficiencies will be extinguished.

*Subordination of Each Class of Subordinate Notes*. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. Except as

otherwise described in, and subject to, the Priority of Payments with respect to Interest Proceeds, no payment of principal of any Class of Notes (other than the Class X Notes) will be made from Principal Proceeds until all principal of, and all accrued and unpaid interest on, the Notes of each Class that is Senior to such Class and that remains outstanding have been paid in full. See "Description of the Notes—Priority of Payments." If an Event of Default occurs, so long as any Notes are outstanding, the holders of the most Senior Class of Senior Notes then outstanding will be entitled to determine the remedies to be exercised under the Indenture. So long as any Senior Class of Notes is outstanding, the failure to make payment in respect of interest on the Class C Notes on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default. Any interest on the Class C Notes that is not paid when due by operation of the Priority of Payments will be deferred. In the event of any realization on the Collateral, proceeds will be allocated to the Notes and other amounts in accordance with the Priority of Payments prior to any distribution to the Collateral Manager in respect of Subordinate Management Fees or Incentive Management Fees. See "Description of the Notes—The Indenture" and "—Priority of Payments." Remedies pursued by the holders of the Class or Classes of Notes entitled to determine the exercise of such remedies could be adverse to the interest of the holders of the other Classes of Notes. Generally, to the extent that any losses are suffered by any of the holders of any Offered Securities, such losses will be borne, *first*, by the holders of the Class C Notes, *second*, by the holders of the Class X Notes, *third*, by the holders of the Class B Notes, *fourth*, by the holders of the Class A-2 Notes and, *fifth*, by the holders of the Class A-1 Notes.

On any Distribution Date following the occurrence of an Indenture Event of Default and the acceleration of the maturity of the Notes (each such Distribution Date, unless such Indenture Event of Default is no longer continuing or such acceleration of the Notes has been rescinded, a "Post-Acceleration Distribution Date"), the Trustee will continue to make payments of interest and principal on the Notes in accordance with the same Priority of Payments as was applicable prior to such acceleration, and as a result a Subordinate Class of Notes may continue to receive payments of interest (and in limited circumstances payments of principal from Interest Proceeds) prior to the date on which the entire principal amount of the Senior Classes of Notes has been paid in full. The Collateral will not be liquidated unless one of the two conditions described under "Description of the Notes—The Indenture—Indenture Events of Default" is satisfied.

Following an Event of Default, the Trustee may not direct the liquidation of the Collateral unless (i) the Trustee has calculated that the proceeds of such liquidation would be sufficient to pay amounts owed to the holders of the Notes and Hedge Counterparties and amounts owed to the Collateral Manager in respect of the Subordinate Management Fee, and at least a SupraMajority of the Controlling Class approves of such calculation by the Trustee, which approval may or may not be given, (ii) for so long as any Class A-1 Note is outstanding, the Controlling Party directs the sale and liquidation of the Collateral or (iii) the Trustee receives a direction to liquidate the Collateral from holders of at least a SupraMajority of each Class of Notes and each Hedge Counterparty, any of which may determine not to direct such liquidation. If either such condition is satisfied and the Collateral is liquidated, the proceeds of the Collateral will be applied to pay interest and principal on the Notes in accordance with the Priority of Payments. However, there can be no assurance that the conditions to liquidation of the Collateral will be satisfied.

*The Notes will Continue to be Paid in Accordance With the Priority of Payments Following an Event of Default*. On a Post-Acceleration Distribution Date, payments of interest on the Notes shall continue to be made in accordance with the Priority of Payments. As a result, interest on Subordinate Classes of Notes (as well as principal of the Class C Notes to the extent provided in the Interest Proceeds Waterfall and other amounts set forth in the Priority of Payments) will continue to be paid prior to the payment in full of the principal amount of Senior Classes of Notes, except as provided in the Priority of Payments in the case of a breach of a Coverage Test.

*Voting Rights of the Holders of the Class A-1B Notes*. Except for matters as to which the unanimous consent of all holders of the Class A-1B Notes is required under the transaction documents, assuming for this purpose, in the case of any limitation on voting rights with respect to a matter to adversely affected Noteholders, that each Noteholder is adversely affected, the holders of the Class A-1BV Notes will have a voting power equal to the Aggregate Outstanding Amount of the Class A-1B1 Notes, the Class A-1B2 Notes and the Class A-1BV Notes, collectively, and the Holders of the Class A-1B1 Notes and the Class A-1B2 will have no voting power.

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

*Class X Notes*. Principal of the Class X Notes will be payable in installments on each Quarterly Distribution Date in accordance with an amortization schedule specified in the Indenture. Such principal payments will be payable on each Quarterly Distribution Date from Interest Proceeds and, to the extent Interest Proceeds are insufficient to pay such amount, Principal Proceeds. As a result, principal of the Class X Notes in an amount equal to such scheduled amortization payments will be payable prior to principal of the Class A-1 Notes, the Class A-2 Notes and the Class B Notes.

*Nature of Collateral*. The Collateral is subject to credit, liquidity, interest rate, market, operations, fraud and structural risks. A portion of the Collateral will be acquired by the Issuer after the Closing Date, and, accordingly, the financial performance of the Issuer may be affected by the price and availability of Collateral to be purchased. The amount and nature of the Collateral securing the Notes have been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Collateral Debt Securities. See "Ratings of the Offered Securities." If any deficiencies exceed such assumed levels, however, payment of the Notes could be adversely affected. To the extent that a default occurs with respect to any Collateral Debt Security securing the Notes 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.

Historical economic performance of the Collateral Debt Securities is not necessarily indicative of its future performance. Prospective purchasers of the Offered Securities

should consider and determine for themselves the likely level of defaults and the level of recoveries on the Collateral Debt Securities and the resulting consequences on their investment in the Offered Securities.

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

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

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

The Issuer may, during the Ramp-Up Period and the Reinvestment Period, acquire Collateral Debt Securities that (or enter into Synthetic Securities the Reference Obligations of which) provide for periodic payments of interest in cash less frequently than monthly; *provided* that the Aggregate Principal Balance of all such Collateral Debt Securities (together with the Aggregate Principal Balance of all Synthetic Securities related thereto) (i) that provide for quarterly periodic payments of interest does not exceed 10% of the Net Outstanding Portfolio Collateral Balance and (ii) that provide for periodic payments of interest less frequently than quarterly does not exceed 5% of the Net Outstanding Portfolio Collateral Balance. No Collateral Debt Securities or Reference Obligations may provide for periodic payments of interest less frequently than semi-annually.

*Residential Mortgage-Backed Securities*. All of the Collateral Debt Securities will consist of residential mortgage-backed securities ("Residential Mortgage-Backed Securities"), consisting solely of Residential A Mortgage Securities. In addition, the Reference Obligations under Synthetic Securities, if any, will consist of Residential Mortgage-Backed Securities.

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

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

At any one time, a portfolio of Residential Mortgage-Backed Securities may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called "jumbo" mortgage loans, having original principal balances that are higher than the Fannie Mae and Freddie Mac loan balance limitations. As a result, such portfolio of Residential Mortgage-Backed Securities may experience increased losses.

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

required for approval of the related mortgage loans, the types of properties securing the mortgage loans, the loan sizes and the mortgagors' occupancy status with respect to the mortgaged properties. As a result of these and other factors, the interest rates charged on non-conforming mortgage loans are often higher than those charged for conforming mortgage loans. The combination of different underwriting criteria and higher rates of interest may also lead to higher delinquency, foreclosure and losses on non-conforming mortgage loans as compared to conforming mortgage loans.

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

Prepayments on the underlying residential mortgage loans in an issue of Residential Mortgage-Backed Securities 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 Residential Mortgage-Backed Securities. Residential Mortgage-Backed Securities are particularly susceptible to prepayment risks as they generally do not contain prepayment penalties and a reduction in interest rates will increase the prepayments on the Residential Mortgage-Backed Securities, resulting in a reduction in yield to maturity for holders of such securities.

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

In addition, structural and legal risks of Residential Mortgage-Backed Securities 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 Residential Mortgage-Backed Securities.

It is not expected that the Residential Mortgage-Backed Securities will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on the Residential Mortgage-Backed Securities 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 Residential Mortgage-Backed Securities 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 Residential Mortgage-Backed Securities, 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.

Residential Mortgage-Backed Securities have structural characteristics that distinguish them from other asset-backed securities. The rate of interest payable on Residential Mortgage-Backed Securities typically is set or effectively capped at the weighted average net coupon of the underlying mortgage loans themselves, often referred to as an "available funds cap." As a result of this cap, the return to investors is dependent on the relative timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater impact on the yield to the Issuer on such Residential Mortgage-Backed Securities. Federal and state law may also affect the return to investors by capping the interest rates payable by certain mortgagors (including hard caps and lifetime caps). Many of the Residential Mortgage-Backed Securities which the Issuer may purchase are subject to such available funds caps or other caps on the interest rate payable to holders of such securities. The effect of such caps is to reduce the rate at which interest is paid to the holders of such securities (including the Issuer), which would have an adverse effect on the Issuer's ability to pay interest on the Notes.

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

investors' return on their investment in such Residential Mortgage-Backed Securities will be similarly affected.

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

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

interbank offered rate-based assets, and may accordingly have an adverse effect on the Issuer's ability to pay interest on the Notes.

*Hybrid Securities*. The Issuer may acquire Hybrid Securities. Hybrid Securities ("Hybrid Securities") are Residential Mortgage-Backed Securities the payments on which depend on the cashflow from a pool of residential mortgage loans a portion of which are "hybrid" mortgage loans. A hybrid mortgage loan initially bears interest at a fixed rate for a specified period, after which the interest rate converts to a floating rate based on a specified index. Interest owed during this floating-rate period will be subject to periodic adjustment on reset dates that may not correspond to the reset dates for the applicable floating rate index. Interest accruing at the applicable index may in addition be subject to caps applicable on initial interest reset dates, periodic caps limiting variation of interest rates from reset date to reset date and overall maximum and minimum lifetime caps. The varying characteristics of hybrid mortgage loans result in a greater likelihood of timing and interest rate mismatches between interest payable on the collateral and interest payable on the Hybrid Securities, and accordingly subject Hybrid Securities to increased basis risk. Interest payable on Hybrid Securities may, as with other Residential Mortgage-Backed Securities, be subject to available funds caps based on the weighted average net mortgage rate of the underlying collateral pool. The weighted average net mortgage rate on the collateral underlying a Hybrid Security will be affected by the fluctuations in the interest payable on hybrid mortgage loans. If, as a result of these fluctuations, the weighted average net mortgage rate on the collateral underlying a Hybrid Security is reduced, investors in the Hybrid Securities will experience a lower yield.

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

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

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

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

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

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

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

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

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

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

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

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

Some of the mortgage loans backing a Consumer Protected Security may have been underwritten with, and finance the cost of, credit insurance. From time to time, originators of mortgage loans that finance the cost of credit insurance have been named in legal actions brought by Federal and state regulatory authorities alleging that certain practices employed

relating to the sale of credit insurance constitute violations of law. If such an action were brought against such issuer with respect to mortgage loans backing such Consumer Protected Security and were successful, it is possible that the borrower could be entitled to refunds of amounts previously paid or that such issuer could be subject to damages and administrative enforcement.

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

*Synthetic Securities*. A portion of the Collateral Debt Securities may consist of Synthetic Securities the Reference Obligations of which are Residential Mortgage-Backed Securities. The Issuer may purchase or enter into Synthetic Securities on and after the Closing Date, *provided* that any such transaction does not cause the aggregate Principal Balance of the Synthetic Securities to exceed 10% of the Net Outstanding Portfolio Collateral Balance. Each Synthetic Security entered into by the Issuer with a Synthetic Security Counterparty will be a Defeased Synthetic Security.

Investments in Residential Mortgage-Backed Securities through the purchase of (or entry into) Synthetic Securities present risks in addition to those resulting from direct purchases of Residential Mortgage-Backed Securities. Each Defeased Synthetic Security will require the Issuer to purchase Synthetic Security Collateral, which also will expose the Issuer to the risk of loss on the Synthetic Security Collateral. With respect to Synthetic Securities, the Issuer will usually have a contractual relationship only with the Synthetic Security Counterparty, and not the Reference Obligor(s) on the Reference Obligation(s). The Issuer generally will have no right directly to enforce compliance by the Reference Obligor(s) with the terms of either the Reference Obligation(s) or any rights of set off against the Reference Obligor(s), nor will the Issuer generally have any voting or other consensual rights of ownership with respect to the Reference Obligation(s). The Issuer will not directly benefit from any collateral supporting the Reference Obligation(s) and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation(s). In addition, in the event of the insolvency of the counterparty, the Issuer will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the Reference Obligation(s). Consequently, the Issuer will be subject to the credit risk of the Synthetic Security Counterparty as well as that of the Reference Obligor(s). As a result, concentrations of Synthetic Securities entered into with any one Synthetic Security Counterparty will subject the Offered Securities to an additional degree of risk with respect to defaults by such Synthetic Security Counterparty as well as by the Reference Obligor(s).

The Issuer will enter into each Synthetic Security pursuant to an ISDA Master Agreement with a Synthetic Security Counterparty, which may be terminated by the Issuer or by the Synthetic Security Counterparty in the event that any event of default or termination event specified therein occurs with respect to the other party. If the ISDA Master Agreement is terminated, all of the Synthetic Securities made under that ISDA Master Agreement also will terminate. The Issuer will not be permitted to reinvest the proceeds of such termination if the

Reinvestment Period has ended or if the proposed reinvestment does not satisfy the Eligibility Criteria, in which event the Interest Proceeds available to pay interest on the Notes will be reduced.

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

The terms of each Defeased Synthetic Security require the Issuer to secure its obligations with respect to such Synthetic Security by depositing funds into a Synthetic Security Counterparty Account. In accordance with the terms of the applicable Defeased Synthetic Securities, these funds will be invested in Eligible Investments or other Synthetic Security Collateral designated by the Synthetic Security Counterparty and approved by the Collateral Manager, which may be subject to derivatives transactions (including total return swaps) between the Issuer and the Synthetic Security Counterparty (or, subject to the consent of the Synthetic Security Counterparty and satisfaction of the Rating Condition, between the Issuer and other parties). After payment of all amounts owing by the Issuer to the Synthetic Security Counterparty or a default which entitles the Issuer to terminate its obligations under such synthetic security, funds and other property standing to the credit of the Synthetic Security Counterparty Account related to such Defeased Synthetic Security will be credited to the Principal Collection Account (in the case of Cash and Eligible Investments) or the Custodial Account (in the case of Synthetic Security Collateral other than Cash and Eligible Investments). There can be no assurance that in such event the Pledged Collateral Debt Securities (as a whole) will meet the Eligibility Criteria. See "Security for the Notes—The Accounts—Synthetic Security Counterparty Accounts."

The Issuer may, with the consent of the related Synthetic Security Counterparty, enter into total return swaps with respect to the Synthetic Security Collateral with the Synthetic Security Counterparty (or a third party).

Pursuant to the terms of the Synthetic Securities, the Issuer will be required to reinvest any principal payments on the Synthetic Security Collateral received by it in other Synthetic Security Collateral approved by the Synthetic Security Counterparty; the yield on such replacement Synthetic Security Collateral may be lower than the yield on the original Synthetic Security Collateral, in which event the Interest Proceeds in each Due Period will be reduced and may not be sufficient to pay interest on all Classes of Notes. The Synthetic Security Counterparty will have the right to cause the Issuer to invest the Synthetic Security Collateral in Eligible Investments. If the Synthetic Security Collateral consists of Eligible Investments, the

return received by the Issuer will be lower than if the Synthetic Security Collateral consists of asset-backed securities, and as a result the Interest Proceeds in each Due Period will be reduced. A prospective investor evaluating an investment in the Offered Securities should assume that the interest income to the Issuer on the Synthetic Security Collateral will be no higher than the interest rate which the Issuer earns on Eligible Investments.

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

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

The market value of a Reference Obligation following such credit events will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, international political events, developments or trends in any particular industry, the financial condition of the issuer of and the obligors of the securitized assets underlying the Reference Obligation and the terms of the Reference Obligation. Adverse changes in the financial condition of the issuers of the Reference Obligations or the obligors of the securitized assets underlying a Reference Obligation or in general economic conditions or both may result in credit events and a decline in the market value of the Reference Obligations. In addition, future periods of uncertainty in the United States economy and the economies of other countries in which issuers of the Reference Obligations (or the obligors of the securitized assets underlying a Reference Obligation) are domiciled and the possibility of increased volatility and default rates may also adversely affect the price and liquidity of the Reference Obligations.

Many of the Reference Obligations will have no, or only a limited, trading market. Trading in fixed income securities in general, including Residential Mortgage-Backed Securities and derivatives thereof, takes place primarily in over-the-counter markets consisting of groups of dealer firms that are typically major securities firms. Because the market for asset-backed securities and derivatives thereof is a dealer market, rather than an auction market, no single obtainable price for a given instrument prevails at any given time. Not all dealers maintain markets in all asset-backed securities at all times. The illiquidity of Reference Obligations will restrict the Collateral Manager's ability to take advantage of market opportunities. Illiquid Reference Obligations may trade at a discount from comparable, more liquid investments. In addition, Reference Obligations may include privately placed securities that may or may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale, and even if such privately placed securities are transferable, the value of such Reference Obligations could be less than what may be considered the fair value of such securities.

The market for credit default swaps on Residential Mortgage-Backed Securities has only existed for a few years and is not liquid (compared to the market for credit default swaps on investment grade corporate reference entities). Credit default swaps with "pay as you go" credit events similar to the Synthetic Securities which the Issuer is expected to enter into have only recently been introduced into the market, and the terms have not yet been standardized and may change significantly after the Closing Date (which will make it more difficult for the Issuer to liquidate the Synthetic Securities). The current premiums that a "buyer" of protection will pay under credit default swaps for reference obligations that are Residential Mortgage-Backed Securities are at very low levels (compared to the levels during the past five years). This results in part from the fact that the current interest rate spreads over the London interbank offered rate on Residential Mortgage-Backed Securities are at very low levels (compared to the levels during the past ten years); in the event that such interest rate spreads widen or the prevailing credit premiums on credit default swaps on Residential Mortgage-Backed Securities increase after the Closing Date, the amount of the termination payment due from the Issuer to the Synthetic Security Counterparty could increase by a substantial amount. If the Issuer is required to make substantial payments to the Synthetic Security Counterparties in order to terminate the credit default swaps, it may be difficult for the Issuer to dispose of the credit default swaps as part of the Collateral Manager's portfolio management and to satisfy the conditions for a redemption of the Notes or for a liquidation of the portfolio after an Event of Default.

"Pay As You Go or Physical Settlement" credit default swaps are a new type of credit default swap developed to incorporate the unique structures of asset-backed securities. In June 2005, the International Swaps and Derivatives Association, Inc. ("ISDA") published its first form of confirmation for documenting "Pay As You Go or Physical Settlement" credit default swaps referencing Residential Mortgage-Backed Securities, a revised version of which was published in January 2006. While ISDA has published its form of confirmation for documenting "Pay As You Go or Physical Settlement" credit default swaps and has published and supplemented the ISDA Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the confirmation used to document "Pay As You Go or Physical Settlement" credit default swaps and the ISDA Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution. Past events have shown that the

views of market participants may differ as to how the ISDA Credit Derivatives Definitions operate or should operate.

The "Pay As You Go or Physical Settlement" confirmation and the ISDA Credit Derivatives Definitions are expected to continue to evolve. There can be no assurance that changes to the "Pay As You Go or Physical Settlement" confirmation and the ISDA Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be predictable or favorable to the Issuer. Amendments or supplements to the "Pay As You Go or Physical Settlement" confirmation and the ISDA Credit Derivatives Definitions that are published by ISDA will only apply to credit default swaps if the Issuer and the Synthetic Security Counterparty agree to amend the credit default swaps between them to incorporate such amendments or supplements. As a result of the continued evolution of the form of confirmation used to document "Pay As You Go or Physical Settlement" credit default swaps, the confirmations used to document existing Synthetic Securities may differ from the future market standard. Such a result may have a negative impact on the liquidity and market value of the Synthetic Securities.

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

*Reinvestment Risk*. During the Reinvestment Period, the Collateral Manager will have the discretion to dispose of certain Collateral Debt Securities and to reinvest the Sale Proceeds in substitute Collateral Debt Securities and also to apply other Principal Proceeds to reinvest in Collateral Debt Securities, in each case, in compliance with the Eligibility Criteria. Such reinvestment (or lack thereof) may have an adverse effect on the value of the Collateral Debt Securities and on the ability of the Issuer to make payments on the Notes. See "Security for the Notes—Dispositions of Collateral Debt Securities." The impact, including any adverse impact, of the reinvestment (or lack of reinvestment) of Principal Proceeds on the Noteholders would be magnified by the leveraged nature of each respective Class of Notes.

The earnings with respect to 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 such Principal Proceeds be maintained temporarily in cash or Eligible Investments, which may reduce the yield on the Collateral. Further, issuers of Collateral Debt Securities may be more likely to exercise any rights they may have to redeem such obligations when interest rates or spreads are declining. Any decrease in the yield on the Collateral Debt Securities will have the effect of reducing the amounts available to make payments of principal and interest on the Notes.

In addition, the Issuer may not purchase any Collateral Debt Securities without the prior written approval of the Controlling Party. As a result, even if the Collateral Manager is

able to identify Collateral Debt Securities that would otherwise be eligible for purchase by the Issuer, the Issuer may be unable to do so. If the Controlling Party does not approve the purchase of a Collateral Debt Security, Principal Proceeds that might otherwise have been invested in Collateral Debt Securities will instead be invested in lower-yielding Eligible Investments.

Prior to the end of the Reinvestment Period, Principal Proceeds will not, unless the Collateral Manager elects otherwise, be applied to redeem the aggregate outstanding principal amount of the Notes (except in certain circumstances described herein). If the Collateral Manager does not promptly reinvest such Principal Proceeds in substitute Collateral Debt Securities, such amounts will be retained in the Principal Collection Account and invested in Eligible Investments, which are likely to have a low yield. This would result in a reduction of the amounts available for payment on the Notes.

*Early Termination of the Reinvestment Period*. Although the Reinvestment Period is expected to terminate on the Distribution Date occurring in January 2012, the Reinvestment Period may terminate prior to such date if (i) the Collateral Manager notifies the Trustee of its election to make no further investments in substitute Collateral Debt Securities, (ii) the Notes are redeemed in a Tax Redemption as described under "Description of the Notes—Optional Redemption and Tax Redemption," prior to the January 2012 Distribution Date, (iii) an Indenture Event of Default or Fiscal Agency Event of Default occurs, (iv) if ICP gives notice of its resignation, or the Issuer gives notice of its termination, as Collateral Manager, (v) the Moody's Maximum Rating Distribution is greater than 5 on any Measurement Date, or (vi) a Rating Trigger has occurred. If the Reinvestment Period terminates prior to the Distribution Date occurring in January 2012, such early termination may affect the expected average lives of the Notes described under "Maturity, Prepayment and Yield Considerations."

On any Distribution Date prior to the last day of the Reinvestment Period the Collateral Manager, upon notice to the Trustee on or prior to the related Determination Date, may direct the Issuer to apply all or a portion of the Principal Proceeds that would otherwise have been eligible for reinvestment in substitute Collateral Debt Securities to the payment of principal of the Notes in accordance with the Priority of Payments, as if the Reinvestment Period had ended. The Collateral Manager may take such action with respect to any Distribution Date with or without also terminating the Reinvestment Period.

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

*Unspecified Use of Proceeds*. On the Closing Date, proceeds from the issuance and sale of the Offered Securities will be used to purchase Collateral Debt Securities having an aggregate principal amount (together with the principal amount of Collateral Debt Securities which the Issuer has committed to purchase) of not less than U.S.$3,000,000,000. Most of the remainder of the net proceeds from the issuance and sale of the Offered Securities are expected to be invested in Collateral Debt Securities that may not have been identified by the Collateral Manager on the Closing Date. Purchasers of the Notes will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Collateral Manager (on behalf of the Issuer) and, accordingly, will be dependent upon the judgment and ability of the Collateral Manager in investing and managing the proceeds of the Notes and in identifying investments over time. No assurance can be given that the Collateral Manager (on behalf of the Issuer) will be successful in obtaining suitable investments or that, if such investments are made, the objectives of the Issuer will be achieved.

*Rating Confirmation Failure; Mandatory Redemption*. The Issuer will notify the Trustee, the Fiscal Agent, each Rating Agency and each Hedge Counterparty within one Business Day after the Ramp-Up Completion Date (such notification, a "Ramp-Up Notice"). The Issuer will request that Standard & Poor's and (if a Deemed Confirmation does not occur) Moody's confirm to the Issuer that it has not reduced or withdrawn the rating assigned by it on the Closing Date to any Class of Notes (together with a Deemed Confirmation, a "Rating Confirmation"); *provided* that, if the Ramp-Up Completion Date occurs on the Closing Date (as shall be evidenced by the schedule of Collateral Debt Securities and an accountant's report delivered on the Closing Date pursuant to the Indenture), then the initial assignment by Moody's and Standard & Poor's of their ratings to the Notes on the Closing Date shall constitute a Rating Confirmation and no further action shall be required in connection with the Ramp-Up Completion Date. In the Ramp-Up Notice, the Issuer is required to certify to the Trustee and each Rating Agency whether the Collateral Quality Tests and the Overcollateralization Tests have been satisfied. In the event that a Deemed Confirmation does not occur and the Issuer is unable to obtain a Rating Confirmation from each Rating Agency prior to the first Determination Date following receipt by such Rating Agency of such Ramp-Up Notice (a "Rating Confirmation Failure"), on the first Quarterly Distribution Date thereafter, the Issuer will be required to apply Uninvested Proceeds (which are not required to complete purchases of Collateral Debt Securities) and, to the extent that such Uninvested Proceeds are insufficient to redeem the Notes to the extent necessary to obtain a Rating Confirmation, on such Quarterly Distribution Date and on each Quarterly Distribution Date thereafter, Interest Proceeds and, to the extent that Interest Proceeds are insufficient, Principal Proceeds, in each case in accordance with the Priority of Payments, to the repayment, of principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class X Notes and, *fifth*, the Class C Notes, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments." There can be no assurance that such redemption will result in a Rating Confirmation. The notional amount of any Hedge Agreement entered into by the Issuer may be reduced by the Hedge Counterparty in connection with a redemption of Notes on any such Quarterly Distribution Date by reason of any Rating Confirmation Failure, which is likely to require the Issuer to make a termination payment to any Hedge Counterparty.

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

*International Investing*. The Collateral Debt Securities may include obligations of Qualifying Foreign Obligors. See paragraph (2) of the Eligibility Criteria under "Security for the Notes—Eligibility Criteria." In addition, the Collateral Debt Securities may be obligations of issuers organized in a Special Purpose Vehicle Jurisdiction. Moreover, subject to compliance with certain of the Eligibility Criteria described herein, collateral securing Residential Mortgage-Backed Securities may consist of obligations of issuers or borrowers organized under the laws of various jurisdictions other than the United States. Investing outside the United States may involve greater risks than investing in the United States. These risks may include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws therein; and (iv) risk of economic dislocations in such other country. Moreover, many foreign companies are not subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

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

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

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

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

In general, if payments on a Collateral Debt Security are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Issuer) or from subsequent transferees of such payments (such as the holders of the Offered Securities). To the extent that any such payments are recaptured from the Issuer, the resulting loss will be borne in the first instance by the holders of the Class C Notes, then by the holders of the Class X Notes, then by the holders of the Class B Notes, then by the holders of the Class A-2 Notes and then by the holders of the Class A-1 Notes. However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of any such payment from a holder of Offered Securities only to the extent that such court has jurisdiction over such holder or its assets. Moreover, it is likely that avoidable payments could not be recaptured directly from a holder that has given value in exchange for its Offered Securities, in good faith and without knowledge that the payments were avoidable. Nevertheless, since there is

no judicial precedent relating to a structured transaction such as the Offered Securities, there can be no assurance that a holder of Offered Securities will be able to avoid recapture on this or any other basis.

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

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

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

*Conflicts of Interest Involving the Collateral Manager*. Various potential and actual conflicts of interest may arise from the advisory, investment and other activities of the Collateral Manager, its affiliates and their respective clients and employees. Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager and such affiliates for their own accounts or for accounts, portfolio funds or investment companies (collectively, "Collateral Manager Accounts") as to which the Collateral Manager or an affiliate on the Collateral Manager acts as investment manager or advisor. The Collateral Manager and such affiliates may invest for their own accounts or for the accounts of others in securities that would be appropriate investments for the Issuer and they have no duty, in making such investments, to act in a way that is favorable to the Issuer or the Noteholders. Such investments may be the same as or different from those made on behalf of the Issuer. The Collateral Manager and such affiliates may have economic interests in, render services to, engage in transactions with or have other relationships with issuers in whose obligations or securities the Issuer may invest. In particular, such persons may make and/or hold an investment in an issuer's securities that may be *pari passu*, senior or junior in ranking to an investment in such issuer's securities made and/or held by the Issuer or the partners, security holders, officers, directors, agents or employees of such persons may serve on boards of directors of, or otherwise have ongoing relationships with, such issuer. As a result, officers or affiliates of the Collateral Manager may possess information relating to issuers of Collateral Debt Securities which is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Debt Securities and performing the other obligations of the Collateral Manager under the Collateral Management Agreement. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Issuer. In such instances, the Collateral Manager and such affiliates may in their discretion (except as provided below under "Security for the Notes—Dispositions of Collateral Debt Securities") make investment recommendations and decisions that may be the same as or different from those made with respect to the Issuer's investments.

Neither the Collateral Manager nor any of its affiliates is under any obligation to offer investment opportunities of which they become aware to the Issuer or to account to the Issuer for (or share with the Issuer or inform the Issuer of) any such transaction or any benefit received by them from any such transaction, or to inform the Issuer of any investments before offering any investments to other funds or accounts that the Collateral Manager and/or such affiliates manage or advise. Furthermore, the Collateral Manager and/or such affiliates may make an investment on behalf of any Collateral Manager Accounts without offering the investment opportunity or making any investment on behalf of the Issuer.

Furthermore, the Collateral Manager and such affiliates may make an investment on their own behalf without offering the investment opportunity to, or the Collateral Manager making any investment on behalf of, the Issuer. Affirmative obligations may arise in the future, whereby the Collateral Manager and/or such affiliates are obligated to offer certain investments to other Collateral Manager Accounts before or without the Collateral Manager's offering those investments to the Issuer. The Collateral Manager and such affiliates have no affirmative obligation to offer any investments to the Issuer or to inform the Issuer of any investments before engaging in any investments for themselves. The Collateral Manager may make investments on behalf of the Issuer in securities or other assets, that it has declined to invest in for its own account, the account of any of such affiliates or any other Collateral Manager Accounts.

Although the officers and employees of the Collateral Manager will devote as much time to the Issuer as the Collateral Manager deems appropriate, the principals and employees may have conflicts in allocating their time and services among the Issuer and other accounts now or hereafter advised by the Collateral Manager and/or its affiliates. The policies of the Collateral Manager are such that certain employees of the Collateral Manager may have or obtain information that, by virtue of the Collateral Manager's internal policies relating to confidential communications, cannot or may not be used by the Collateral Manager on behalf of the Issuer. In addition, the Collateral Manager and such affiliates, in connection with their other business activities, may acquire material non-public confidential information that may restrict the Collateral Manager from purchasing securities or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of its clients or itself.

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

The Collateral Manager and any of its affiliates may engage in any other business and furnish investment management and advisory services to others, which may include, without limitation, serving as collateral manager or investment manager for, investing in, lending to, or being affiliated with, other entities organized to issue collateralized bond obligations secured by securities such as the Collateral Debt Securities and other trusts and pooled investment vehicles that acquire interests in, provide financing to, or otherwise deal with securities issued by issuers that would be suitable investments for the Issuer. The Collateral Manager will be free, in its sole discretion, to make recommendations to others, or effect transactions on behalf of itself or for

others, that may be the same as or different from those effected on behalf of the Issuer, and the Collateral Manager may furnish investment management and advisory services to others who may have investment policies similar to those followed by the Collateral Manager with respect to the Issuer and who may own securities of the same class, or which are the same type as, the Collateral Debt Securities. The Collateral Manager will at certain times (i) be simultaneously seeking to purchase or sell investments for the Issuer and any similar Collateral Manager Account in the future, or for its clients or such affiliates and/or (ii) take "short" positions with respect to certain securities that will be the same as the securities included in the Collateral.

The Collateral Manager and its affiliates may enter into, for their respective accounts, or for Collateral Manager Accounts, credit swap agreements relating to entities that are issuers of Collateral Debt Securities. 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 or affiliates of the Collateral Manager may possess information relating to the Collateral Debt Securities that is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Debt Securities and performing other obligations under the Collateral Management Agreement. In addition, affiliates and clients of the Collateral Manager may invest in securities (or make loans) that are included among, rank *pari passu* with or senior to, Collateral Debt Securities, or have interests different from or adverse to those of the Issuer.

The Collateral Manager or an affiliate of the Collateral Manager may serve as a general partner and/or manager of special-purpose entities organized to issue collateralized debt obligations, or similar obligations, secured by debt obligations. The Collateral Manager and such affiliates may make investment decisions for their own account or for other Collateral Manager Accounts, including other special-purpose entities organized to issue collateralized debt obligations, or similar obligations, that may be the same as or different from those made by the Collateral Manager on behalf of the Issuer. The Collateral Manager or an affiliate of the Collateral Manager may at certain times simultaneously seek to purchase (or sell) investments from the Issuer and sell (or purchase) the same investment for a similar entity, including other collateralized debt obligation vehicles, or similar vehicles, for which it serves as manager now or in the future, or for other clients or affiliates. In the course of managing the Collateral Debt Securities held by the Co-Issuers, the Collateral Manager may consider its relationships with other clients (including companies the securities of which are pledged to secure the Notes) and such affiliates. The Collateral Manager may decline to make a particular investment for the Issuer in view of such relationships. The Collateral Manager may also at certain times simultaneously seek to purchase investments for the Issuer and/or similar entities, including other collateralized debt obligation vehicles for which it serves as manager now or in the future, or for other clients or affiliates. Such ownership and such other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and create other potential conflicts of interest with respect to the Collateral Manager. The effects of some of the actions described in this section may have an adverse impact on the market from which the Collateral Manager seeks to buy, or to which the Collateral Manager seeks to sell securities on behalf of the Issuer. In providing services to other clients, the Collateral Manager and its affiliates may recommend activities that would compete with or otherwise adversely affect the Issuer.

Pursuant to the Collateral Management Agreement, the Issuer is permitted to purchase Collateral Debt Securities from (or enter into Synthetic Securities with), or sell Collateral Debt Securities to, the Collateral Manager or any affiliate of the Collateral Manager as principal; *provided* that consent to any such acquisition or disposition must be given by (a) an unaffiliated director of the Issuer (a "Director") or (b) at the election of the Collateral Manager either (1) holders of at least a SupraMajority of the Class C Notes (excluding any such holders that are the Collateral Manager or any affiliate thereof or any Collateral Manager Account) or (2) in another manner that is permitted pursuant to then applicable law. In the foregoing situations, the Collateral Manager and such affiliates may have a potentially conflicting division of loyalties regarding both parties in the transaction. The Directors unaffiliated with the Collateral Manager or their delegates or other authorized representatives of the Issuer will have the responsibility for approving any transaction between the Issuer and the Collateral Manager or any investment advisor affiliate or any other person who is a director, officer or employee of the Collateral Manager or such affiliate involving significant conflicts of interest (including transactions described above). More particularly, the Directors unaffiliated with the Collateral Manager or any delegate designated by such Directors will be responsible for consenting to any transactions for which the Issuer's consent is required pursuant to Rule 206(3) of the Investment Advisers Act. The Collateral Manager is not required to obtain consent for any transaction unless such consent is required by law.

The Collateral Manager may also effect client cross-transactions where the Collateral Manager causes a transaction to be effected between the Issuer and another Collateral Manager Account. In addition, with the prior authorization of the Issuer, which can be revoked at any time, the Collateral Manager may enter into agency cross-transactions where it or any of its affiliates acts as broker for the Issuer and for the other party to the transaction, to the extent permitted by applicable law, in which case any such affiliate will receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transaction. Also with the prior authorization of the Issuer and in accordance with Section 11(a) of the Exchange Act and regulation 11a2-2(T) thereunder (or any similar rule that may be adopted in the future), the Collateral Manager may affect transactions for the Issuer on a national securities exchange of which any of its affiliates is a member and retain commissions in connection therewith. Although the affiliates of the Collateral Manager anticipate that the commissions, mark-ups and mark-downs charged by the affiliates will generally be competitive, the Collateral Manager may have interests in such transactions that are adverse to those of the Issuer, such as an interest in obtaining favorable commission rates, mark-ups and mark-downs.

The Collateral Manager, its affiliates and other Collateral Manager Accounts may at times also own Offered Securities. As a holder of Offered Securities, the interests and incentives of the Collateral Manager or such affiliates 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 Notes). Accordingly, the ownership of Offered Securities by the Collateral Manager and its affiliates may give the Collateral Manager an incentive to take actions that vary from the interests of the holders of other Classes of Notes. The Collateral Manager, its affiliates and other Collateral Manager Accounts are not required to purchase or hold any Offered Securities, and may at any time sell any Offered Securities held by them.

The Collateral Manager may bid at each Auction and, even if it may not have been the highest bidder, will have the option to purchase the Collateral Debt Securities (or any subpool) for a purchase price equal to the highest bid therefor.

Any Offered Securities held by the Collateral Manager or any affiliate of the Collateral Manager or any Offered Securities over which the Collateral Manager or any affiliate has discretionary voting authority (the "Collateral Manager Securities"), in each case will have no voting rights with respect to any vote (i) in connection with the removal of the Collateral Manager or (ii) increasing the rights or decreasing the obligations of the Collateral Manager, and will be deemed not to be outstanding in connection with any such vote; *provided, however*, that any such Collateral Manager Securities will have voting rights and will be deemed outstanding with respect to all other matters as to which holders of Offered Securities are entitled to vote.

No provision in the Collateral Management Agreement prevents the Collateral Manager or any of its affiliates from rendering services of any kind to any person or entity, including the issuer of any obligation included in the Collateral or any of its affiliates, the Trustee, the Fiscal Agent, the holders of the Offered Securities or any Hedge Counterparty. Without limiting the generality of the foregoing, the Collateral Manager, such affiliates and their respective directors, officers, employees and agents may, among other things: (a) serve as directors, partners, officers, employees, agents, nominees or signatories for any issuer of any obligation included in the Collateral; (b) receive fees for services to be rendered to the issuer of any obligation included in the Collateral or any affiliate thereof; (c) be retained to provide services unrelated to the Collateral Management Agreement to the Issuer or its affiliates and be paid therefor; (d) be a secured or unsecured creditor of, or hold an equity interest in, any issuer of any obligation included in the Collateral; or (e) serve as a member of any "creditors board" with respect to any obligation included in the Collateral which has become or may become a Defaulted Security. Services of this kind may lead to conflicts of interest with the Collateral Manager, and may lead individual officers or employees of the Collateral Manager to act in a manner adverse to the Issuer.

As a holder of Offered Securities, the interests and incentives of the Collateral Manager or its affiliates 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 Notes). Accordingly, the ownership of Offered Securities by the Collateral Manager and such affiliates may give the Collateral Manager an incentive to take actions that vary from the interests of other holders of Offered Securities.

The Collateral Manager shall seek to obtain the best execution for all orders placed with respect to the Collateral Debt Securities, considering all reasonable circumstances, including, if applicable, the conditions or terms of early redemption of the Notes, it being understood that the Collateral Manager has no obligation to obtain the lowest prices available. In pursuit of the objective of obtaining the best execution, the Collateral Manager may take into consideration all factors the Collateral Manager reasonably determines to be relevant, including, without limitation, timing, general relevant trends and research and other brokerage services and support equipment and services related thereto furnished to the Collateral Manager or its affiliates by brokers and dealers. Such services may be used in connection with the other advisory activities or investment operations of the Collateral Manager and/or its affiliates. In

addition, subject to the objective of obtaining best execution, the Collateral Manager may take into account available prices, rates of brokerage commissions and size and difficulty of the order, the nature of the market for such security, the time constraints of the transaction, in addition to other relevant factors (such as, without limitation, execution capabilities, reliability (based on total trading rather than individual trading), integrity, financial condition in general, execution and operational capabilities of competing brokers and/or dealers, and the value of the ongoing relationship with such brokers and/or dealers), without having to demonstrate that such factors are of a direct benefit to the Issuer in any specific transaction. The determination by the Collateral Manager of any benefit to the Issuer is subjective, and represents the Collateral Manager's evaluation at the time that the Issuer will be benefited by relatively better purchase or sales prices, lower brokerage commissions and beneficial timing of transactions or a combination of these and other factors.

The Collateral Manager may aggregate sales and purchase orders of securities placed with respect to the Collateral with similar orders being made simultaneously for other Collateral Manager Accounts if in the Collateral Manager's reasonable business judgment such aggregation would not be disadvantageous to the Issuer, taking into consideration the availability of purchasers or sellers, the selling or purchase price, brokerage commission and other expenses. However, no provision in the Collateral Management Agreement requires the Collateral Manager or its affiliates to execute orders as part of concurrent authorizations or to aggregate sales. In the event that a sale or purchase of a Collateral Debt Security occurs as part of any aggregate sale or purchase order, the objective of the Collateral Manager (and any of its affiliates involved in such transactions) shall be to allocate the executions among the relevant Collateral Manager Accounts in a manner reasonably believed by the Collateral Manager to be equitable over time for all Collateral Manager Accounts involved (taking into account constraints imposed by the Eligibility Criteria).

*Certain Conflicts of Interest Involving the Placement Agent*. Certain of the Collateral Debt Securities acquired or to be acquired by the Issuer may consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which the Placement Agent or an affiliate of the Placement Agent has acted as underwriter, agent, placement agent or dealer or for which the Placement Agent or an affiliate of the Placement Agent has acted as lender or provided other commercial or investment banking services. The Placement Agent or affiliates of the Placement Agent may structure issues of Collateral Debt Securities and arrange to place such Collateral Debt Securities with the Issuer.

On or after the Closing Date, the Placement Agent and its affiliates may purchase Offered Securities. The Placement Agent and any such affiliate will be entitled to vote any Offered Securities (other than Collateral Manager Securities) that it acquires with respect to all matters.

These activities create certain conflicts of interest, and there can be no assurance that the terms on which the Issuer entered into (or enters into) any of the foregoing transactions with the Placement Agent (or an affiliate thereof) were or are the most favorable terms available in the market at the time from other potential counterparties. None of the Placement Agent or any of its affiliates will act as fiduciaries for the Issuer in any of the capacities listed above. The Placement Agent and each of its affiliates will take such actions, in each of the capacities listed

above, as it deems to be in its own commercial interests and will have no obligation to consider the effect of its actions on the Issuer or the Noteholders.

*Potential Conflicts of Interest with the Trustee and the Fiscal Agent*. In certain circumstances, the Trustee, the Fiscal Agent or their respective affiliates may receive compensation in connection with the Trustee's, the Fiscal Agent's (or such affiliate's) investment in certain Eligible Investments from the managers of such Eligible Investments.

*Removal of the Collateral Manager*. The Collateral Manager may be removed and replaced as the Collateral Manager under the circumstances described under "The Collateral Management Agreement—Removal." Such termination may become effective without the approval of holders of all of the Notes.

*Purchase of Collateral Debt Securities*. The Collateral Debt Securities purchased by the Issuer on the Closing Date will be purchased from a portfolio of Collateral Debt Securities selected by the Collateral Manager and held by a third party investment vehicle (the "Warehouse Lender"), pursuant to one or more warehousing agreements. Some of the Collateral Debt Securities subject to such warehousing agreement may have been originally acquired by the Warehouse Lender from the Collateral Manager or one of its affiliates or clients and some of the Collateral Debt Securities subject to such warehousing agreements may include securities issued by a fund or other entity owned, managed or serviced by the Collateral Manager or its affiliates. The Issuer will purchase Collateral Debt Securities included in such warehouse portfolios only to the extent that such purchases are consistent with the investment guidelines of the Issuer, the restrictions contained in the Indenture and the Collateral Management Agreement and applicable law. The purchase price payable by the Issuer for such Collateral Debt Securities will be based on the purchase price paid when such Collateral Debt Securities were acquired under the warehousing agreements, 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 the Warehouse Lender of such Collateral Debt Securities and not the Closing Date. The Issuer has also financed the purchase of Collateral Debt Securities pursuant to a loan agreement with a commercial bank.

*Ramp-Up Period Purchases*. The Issuer will use its commercially reasonable efforts to purchase or enter into binding agreements to purchase, on or before March 18, 2007, Collateral Debt Securities having an Aggregate Principal Balance (together with certain other amounts) of not less than U.S.$4,984,700,000 and at least 50 obligors.

Whether or not the Issuer has succeeded in acquiring Collateral Debt Securities having an Aggregate Principal Balance (together with certain other amounts) of U.S.$4,984,700,000 by the Ramp-Up Completion Date, if any of the Collateral Quality Tests or the Overcollateralization Tests are not satisfied, a Rating Confirmation Failure may occur. Following a Rating Confirmation Failure, Uninvested Proceeds, Interest Proceeds and Principal Proceeds (to the extent necessary to obtain a Rating Confirmation) may be applied to redeem the

Notes to the extent necessary to obtain a Rating Confirmation from each Rating Agency. See "Security for the Notes—Ramp-Up Period."

On the first Distribution Date following the occurrence of a Rating Confirmation, all Uninvested Proceeds (which are not required to complete purchases of Collateral Debt Securities) are required to be applied as Interest Proceeds (to the extent of the Interest Excess if there is a Rating Confirmation) or Principal Proceeds. Accordingly, to the extent that Uninvested Proceeds have not been invested in Collateral Debt Securities during the Ramp-Up Period, such Uninvested Proceeds will be distributed on such Distribution Date in accordance with the Priority of Payments.

*Interim Ramp-Up Tests*. On the Interim Ramp-Up Test Date, if the Interim Ramp-Up Tests have not been satisfied, the Issuer will not be able to invest in additional Collateral Debt Securities unless the Rating Agencies approve a Proposed Plan. Although the Issuer expects to satisfy the Interim Ramp-Up Tests on the Interim Ramp-Up Test Date, there is no guarantee that it will be able to do so. In the event that the Rating Agencies do not approve a Proposed Plan, the Issuer may not be able to purchase sufficient Collateral Debt Securities by the Ramp-Up Completion Date, and a Rating Confirmation Failure may occur.

*Failure to be Fully Invested During the Ramp-Up Period*. The amount of Collateral Debt Securities purchased on the Closing Date and the amount and timing of the purchase of additional Collateral Debt Securities during the Ramp-Up Period will affect the return to holders of, and cash flows available to make payments on, the Offered Securities. Reduced liquidity and lower volumes of trading in certain Collateral Debt Securities, in addition to restrictions on investment contained in the Eligibility Criteria, could reduce the rate at which the Collateral Manager is able to invest in Collateral Debt Securities. Any excess cash (including any Principal Proceeds received during the Ramp-Up Period which the Collateral Manager has designated for reinvestment by the Issuer in additional Collateral Debt Securities) not used to purchase Collateral Debt Securities 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 timing of the purchase of Collateral Debt Securities, the amount of any purchased accrued interest, the scheduled interest payment dates of the Collateral Debt Securities and the amount invested in lower-yielding Eligible Investments until invested in Collateral Debt Securities, may have an impact on the amount of Interest Proceeds collected during the first Due Period, which could adversely affect interest payments on Notes.

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

*True Sale*. If the Warehouse Lender were to become the subject of a case or proceeding under the United States Bankruptcy Code, another applicable insolvency law or a stockbroker liquidation under the Securities Investor Protection Act of 1970, the trustee in bankruptcy, other liquidator or the Securities Investor Protection Corporation could assert that Collateral Debt Securities acquired from the Warehouse Lender are property of the insolvency estate of the Warehouse Lender. Property that the Warehouse Lender has pledged or assigned, or in which the Warehouse Lender has granted a security interest, as collateral security for the payment or performance of an obligation, would be property of the estate of the Warehouse Lender. Property that the Warehouse Lender has sold or absolutely assigned and transferred to another party, however, is not property of the estate of the Warehouse Lender. The Issuer does not expect that the purchase by the Issuer of Collateral Debt Securities, under the circumstances contemplated by this Offering Circular, will be deemed to be a pledge or collateral assignment (as opposed to the sale or other absolute transfer of such Collateral Debt Securities to the Issuer).

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

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

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

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, market, financial or legal uncertainties, the timing of acquisitions of Collateral Debt Securities, differences in the actual allocation of the Collateral Debt Securities among asset categories from those assumed,

the timing of acquisitions of the Collateral Debt Securities, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Collateral Debt Securities (particularly during ramp-up), defaults under Collateral Debt Securities and the effectiveness of any Hedge Agreements, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Trustee, the Fiscal Agent, the Collateral Manager, the Placement Agent, any Hedge Counterparty or any of their respective guarantors, or any of their respective affiliates or any other person or entity of the results that will actually be achieved by the Issuer.

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

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

*Money Laundering Prevention*. "The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "USA PATRIOT Act"), effective as of October 26, 2001, requires broker-dealers registered with the Securities and Exchange Commission (the "SEC") and the National Association of Securities Dealers (the "NASD"), such as the Placement Agent, to establish and maintain anti-money laundering programs. With respect to the content of those programs, the NASD has enacted a rule that requires broker-dealers to establish and maintain anti-money laundering programs similar to those currently in place at U.S. banks. The Treasury Department has published proposed regulations that, if enacted in their current form, will compel certain "unregistered investment companies" to undertake certain activities including establishing, maintaining and periodically testing an anti-money laundering compliance program, and designating and training personnel responsible for that compliance program. In addition, the Treasury Department has published proposed regulations that would require certain investment managers to establish anti-money laundering programs. The Issuer will continue to monitor the ambit of the proposed

regulations, and of the exceptions thereto, and will take all necessary steps (if any) required to comply with those regulations once they are enacted. It is possible that legislation or regulation could be promulgated which will require the Collateral Manager or other service providers to the Co-Issuers to share information with governmental authorities with respect to investors in the Offered Securities in connection with the establishment of anti-money laundering procedures or require the Issuer to implement additional restrictions on the transfer of the Offered Securities. The Issuer reserves the right to request such information as is necessary to verify the identity of the holder of an Offered Security and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by the Treasury Department or by any other governmental or self-regulatory agency. Legislation and/or regulations could require the Issuer to implement additional restrictions on the transfer of the Offered Securities. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of the Offered Securities and the subscription monies relating thereto may be refused.

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

*Investment Company Act*. Neither of the Co-Issuers has been registered with the SEC as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States or any state thereof whose investors resident in the United States are Qualified Purchasers. Counsel for the Co-Issuers will opine, in connection with the sale of the Notes on the Closing Date, that neither the Issuer nor the Co-Issuer is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Notes are sold by the Placement Agent in accordance with the terms of the Placement Agency Agreement). No opinion or no-action position has been requested of the SEC.

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

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

*Issuer May Cause a Transfer of Notes*. The Indenture and the Fiscal Agency Agreement (as applicable) each provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner or holder of (A) a Regulation S Note (or any interest therein) is a U.S. Person (within the meaning of Regulation S under the Securities Act) or (B) a Restricted Note (or any interest therein) is not a Qualified Institutional Buyer (or, in the case of an Original Purchaser of a Class C Note, an Accredited Investor) and also a Qualified Purchaser, then either of the Co-Issuers shall require, by notice to such beneficial owner or holder, as the case may be, that such beneficial owner or holder sell all of its right, title and interest to such Note (or any interest therein). See "Description of the Notes—Form, Denomination, Registration and Transfer—Transfer and Exchange of the Notes."

*Mandatory Repayment of the Notes*. If any Coverage Test applicable to a Class of Notes is not met, Interest Proceeds (and then Principal Proceeds, if needed) will be used to the extent that funds are available in accordance with the Priority of Payments and to the extent necessary to restore the relevant Coverage Test(s) to certain minimum required levels, to repay principal of one or more Classes of Notes in order of seniority. See "Description of the Notes—Mandatory Redemption." The Hedge Counterparties may terminate their Hedge Agreements in part, and as a result, the Issuer is likely to be required to make termination payments to such Hedge Counterparties. The Overcollateralization Tests will not be applicable during the Ramp-Up Period. The Interest Coverage Tests will not be applicable until the Quarterly Distribution Date immediately following the Ramp-Up Completion Date. Satisfaction of the Interest Coverage Tests is not required in order to obtain a Rating Confirmation or Deemed Confirmation.

If a Rating Confirmation Failure occurs, Uninvested Proceeds and, after application of such Uninvested Proceeds, Interest Proceeds and, after application of Interest Proceeds, Principal Proceeds, will be used on each Quarterly Distribution Date thereafter for the payment of principal of, *first*, the Class A-1A Notes and the Class-A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class X Notes and, *fifth*, the Class C Notes, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation.

So long as a Senior Class of Notes remains outstanding, the foregoing could result in an elimination, deferral or reduction in the payments in respect of interest or the principal

repayments made to the holders of a Subordinate Class of Notes, which could adversely impact the returns of such holders. See "Description of the Notes—Principal," "—Mandatory Redemption" and "—Priority of Payments—Interest Proceeds."

If on any Quarterly Distribution Date on or after the Quarterly Distribution Date in January 2015 any Class of Notes remains outstanding, Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Collateral Manager will instead be applied to pay principal of *first*, the Class C Notes, *second*, the Class X Notes, *third*, the Class B Notes, *fourth*, the Class A-2 Notes and *fifth*, the Class A-1 Notes, until each Class of Notes has been paid in full See "Description of the Notes—Priority of Payments—Interest Proceeds."

*Auction Call Redemption*. In addition, if the Notes have not been redeemed in full prior to the Quarterly Distribution Date occurring in January 2015 then an auction of the Collateral Debt Securities will be conducted and, if certain conditions are satisfied, the Collateral Debt Securities will be sold and the Notes will be redeemed (in whole, but not in part) on such Quarterly Distribution Date. No redemption of the Notes may occur unless proceeds of the auction, together with other Available Redemption Funds, are sufficient to pay the Total Senior Redemption Amount. 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—Redemption Price" and "—Auction Call Redemption." Each Hedge Agreement will terminate upon any Auction Call Redemption. In addition, in order to effect an Auction Call Redemption the Issuer will be required to terminate each Synthetic Security, which may result in it being required to make termination payments to each Synthetic Security Counterparty. Any requirement of the Issuer to make termination payments under a Synthetic Security or Hedge Agreement may prevent the Issuer from satisfying the conditions for an Auction Call Redemption.

*Optional Redemption*. Subject to satisfaction of certain conditions, holders of at least a SupraMajority of the Class C Notes 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 (a) prior to the Quarterly Distribution Date occurring in January 2012 and (b) unless certain conditions are satisfied. See "Description of the Notes—Optional Redemption and Tax Redemption." Each Hedge Agreement will terminate upon any Optional Redemption. In addition, in order to effect an Optional Redemption the Issuer will be required to terminate each Synthetic Security, which may result in it being required to make termination payments to each Synthetic Security Counterparty. Any requirement of the Issuer to make termination payments under a Synthetic Security or Hedge Agreement may prevent the Issuer from satisfying the conditions for an Optional Redemption.

*Tax Redemption*. Subject to satisfaction of certain conditions, upon the occurrence of a Tax Event, the Issuer may redeem the Notes (such redemption, a "Tax Redemption") on any Quarterly Distribution Date, in whole but not in part, at the applicable Redemption Price therefor (i) at the written direction of the holders of at least a SupraMajority of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest due and payable to such Class on any Distribution Date (each such Class, an "Affected Class") or (ii) at the written direction of holders of at least a

SupraMajority of the Class C Notes; *provided* that certain conditions are satisfied. No Tax Redemption may be effected, however, unless the Tax Materiality Condition is satisfied. See "Description of the Notes—Optional Redemption and Tax Redemption." Each Hedge Agreement will terminate upon any Tax Redemption. In addition, in order to effect a Tax Redemption the Issuer will be required to terminate each Synthetic Security, which may result in it being required to make termination payments to each Synthetic Security Counterparty. Any requirement of the Issuer to make termination payments under a Synthetic Security or Hedge Agreement may prevent the Issuer from satisfying the conditions for a Tax Redemption.

*Interest Rate Risk*. The Notes bear interest at a rate based on LIBOR as determined on the relevant LIBOR Determination Date. The Collateral Debt Securities will include obligations that bear interest at the London interbank offered rate and other floating rates that are calculated or fixed on different dates or for shorter or longer periods than the LIBOR applicable to the Notes. Accordingly, the Notes are subject to interest rate risk to the extent that there is an interest rate or basis mismatch between the floating rate at which interest accrues on the Notes and the floating rates at which interest accrues on the Collateral Debt Securities. The relative movements of LIBOR and any floating rate applicable to the Collateral Debt Securities could adversely impact the Issuer's ability to make payments on the Notes. In addition, any payments of principal of or interest on Collateral Debt Securities received during a Due Period will be reinvested in Eligible Investments maturing not later than the Business Day immediately preceding the next Quarterly Distribution Date. There is no requirement that Eligible Investments bear interest at 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 mismatch, the Issuer expects to enter into the Basis Swap on the Closing Date and the Issuer may (but is under no obligation to) enter into additional Hedge Agreements after the Closing Date. However, there can be no assurance that the Collateral Debt Securities and Eligible Investments, together with any Hedge Agreements, will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Notes. The Basis Swap will, and any other Hedge Agreement entered into by the Issuer may, terminate prior to the Stated Maturity of the Notes, and the notional amount of such Hedge Agreement will be reduced on each Distribution Date in accordance with a schedule attached to such Hedge Agreement. 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 Hedge Counterparty to perform its obligations thereunder. See "Security for the Notes—The Hedge Agreements."

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

*Termination of Hedge Agreements and Liquidation of Collateral Upon Redemption; Market Value of the Collateral*. Each Hedge Agreement will terminate upon an Optional Redemption, Tax Redemption, Auction Call Redemption or upon the occurrence of an Accelerated Maturity Date, which may require the Issuer to make a termination payment to the applicable Hedge Counterparty. Any such termination payment would reduce the proceeds available to be distributed on the Offered Securities. In addition, an Optional Redemption, a Tax Redemption, an Auction Call Redemption or the occurrence of an Accelerated Maturity Date may require the Collateral Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the Collateral Debt Securities sold. Moreover, the Collateral Manager may be required, in order to sell all the Collateral Debt Securities, to aggregate Collateral Debt Securities in a block transaction, thereby possibly resulting in a lower realized value for the Collateral Debt Securities sold. There can be no assurance that the market value of the Collateral will be sufficient to pay the Redemption Price of the Notes. If the Collateral is liquidated on an Accelerated Maturity Date, holders of the Notes may suffer a loss.

*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 and the characteristics of the Collateral Debt Securities, including the existence and frequency of exercise of any prepayment, optional redemption or sinking fund features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities, the frequency of tender or exchange offers for the Collateral Debt Securities and any sales of Collateral Debt Securities and any dividends or other distributions received in respect of Equity Securities, as well as the risks unique to investments in obligations of foreign issuers described above. Accordingly, the average life of the Notes will be affected by the rate of principal payments on the underlying Collateral Debt Securities and, after the Reinvestment Period, by the receipt by the Issuer of Principal Proceeds. See "Maturity, Prepayment and Yield Considerations" and "Security for the Notes."

*Listing*. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such listing will be obtained or that, if it is obtained, that it will be maintained by the Issuer. If any Class or Classes of Notes are admitted to the official list of the Irish Stock Exchange, the Issuer may at any time terminate the listing of such Notes if the Issuer determines that, as a result of a change in the requirements of the Irish Stock Exchange, the maintenance of such listing would impose any material obligation or expense on the Issuer (in excess of the amount anticipated on the Closing Date). If the Issuer terminates the listing, it will make reasonable endeavors to seek a replacement listing on such other stock exchange outside the European Union that is a member of the International Federation of Stock Exchanges and that is located in a state that is a member of the Organization for Economic Cooperation and Development, unless obtaining or maintaining a listing on such stock exchange requires the Issuer to restate its accounts or is otherwise unduly burdensome, in which event the Issuer will make reasonable endeavors to obtain a replacement listing elsewhere.

*Certain Legal Investment Considerations*. None of the Issuer, the Co-Issuer, the Collateral Manager or the Placement Agent makes any representation as to the proper characterization of the Offered Securities for legal investment or other purposes, as to the ability of particular investors to purchase Offered Securities for legal investment or other purposes or as to the ability of particular investors to purchase Offered Securities under applicable investment restrictions. All institutions the activities of which are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult their own legal advisors in determining whether and to what extent the Offered Securities are subject to investment, capital or other restrictions. Without limiting the generality of the foregoing, none of the Issuer, the Co-Issuer, the Collateral Manager or the Placement Agent make 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.

*Tax Treatment of and Taxes on the Issuer*. Schulte Roth & Zabel LLP, special U.S. Federal income tax counsel to the Issuer, will provide the Issuer with an opinion of counsel to the effect that, although there is no direct authority, the Issuer will not be engaged in a trade or business within the United States for Federal income tax purposes, and accordingly, the Issuer will not be subject to Federal income tax in the United States on its net income or to the branch profits tax. This opinion will be based on certain assumptions regarding the Issuer, including the Issuer's and the Collateral Manager's compliance with the Indenture, the Collateral Management Agreement, the Deed of Covenant and the Fiscal Agency Agreement. Prospective investors should be aware that an opinion of counsel is not binding on the IRS or the courts, and that no ruling will be sought from the U.S. Internal Revenue Service (the "IRS") regarding the U.S. Federal income tax treatment of the Issuer. Accordingly, there can be no assurance that the IRS or a court will agree with the opinion of Schulte Roth & Zabel LLP. In addition, the Issuer may not purchase, but may acquire pursuant to a distressed exchange or other debt restructuring by an issuer of a Defaulted Security, an Equity Security the holding of which could cause the Issuer to be engaged in a U.S. trade or business for the period from the acquisition until such security is sold as required pursuant to the Indenture. See "Income Tax Considerations."

The Issuer expects that payments received on the Collateral Debt Securities, Eligible Investments and any Hedge Agreements generally will not be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. Payments on the Collateral Debt Securities, Eligible Investments and any Hedge Agreements, however, might become subject to U.S. or other 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 of and interest on the Notes. See "Income Tax Considerations."

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

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

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

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

The Issuer could also be a controlled foreign corporation ("CFC") depending on the percentage ownership by U.S. Shareholders (as defined herein under "Income Tax Considerations") of its shares. If the Issuer were a CFC, U.S. Shareholders would have to currently include their *pro rata* shares of the Issuer's "subpart F" income as ordinary income regardless of whether the Issuer has made any cash distributions and recognize ordinary income

in the case of gain recognized on the sale or disposition of Class C Notes. It is expected that a significant portion of the Issuer's taxable income would consist of subpart F income. Consequently, a U.S. Shareholder could pay taxes on "phantom income" as a result of its subpart F inclusions if the Issuer were a CFC.

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

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

*Tax Treatment of Holder of the Class B Notes and the Class X Notes*. The Issuer intends, and the Indenture requires that holders agree, to treat all Classes of Notes (other than the Class C Notes) as debt for U.S. Federal income tax purposes, *provided* that holders of Class B Notes and Class X Notes shall not be required to treat the Class B Notes and Class X Notes as debt with respect to certain U.S. Federal income tax reporting requirements. The treatment of the Class B Notes and the Class X Notes as debt of the Issuer could be challenged by the U.S. Internal Revenue Service. If a challenge were successful, the Class B Notes and the Class X Notes would be treated as equity interests in the Issuer, and the U.S. Federal income tax consequences of investing in the Class B Notes and the Class X Notes would be substantially the same as the consequences of investing in the Class C Notes. See "Income Tax Considerations."

In the event that the Class B Notes and/or the Class X Notes are characterized as equity in the Issuer for U.S. Federal income tax purposes by the IRS or the courts, since U.S. holders of Class B Notes and/or Class X Notes are not likely to make a timely QEF election, the PFIC rules are otherwise applicable, and a U.S. holder would be required to report any gain on disposition of any Class B Notes and/or Class X Notes as ordinary income and to compute the tax liability on such gain and certain "excess distributions" as if the items had been earned ratably over each day in the U.S. holder's holding period for the Class B Notes and the Class X Notes, as applicable, and would be subject to the highest ordinary income tax rate for each prior taxable year in which the items were treated as having been earned, regardless of the rate otherwise applicable to the U.S. holder. Such U.S. holder would also be liable for an additional tax equal to interest on the tax liability attributable to such income allocated to prior years as if such liability had been due with respect to each such prior year. For purposes of these rules, gifts or exchanges pursuant to corporate reorganizations and use of the such Notes as security for a loan may be treated as a taxable disposition. An "excess distribution" is the amount by which distributions during a taxable year in respect of such Notes exceed 125 percent of the average amount of distributions in respect thereof during the three preceding taxable years (or, if shorter, the U.S. holder's holding period for such Note). In addition, a stepped-up basis in such Notes upon the death of an individual U.S. holder may not be available. See "Income Tax Considerations."

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

The imposition of withholding or other taxes on payments under the credit default swaps and the total return swaps could result in a Tax Event.

*Pending Legislation*. Legislation recently proposed in the United States Senate would, for tax years beginning at least two years after its enactment, tax a corporation as a United States corporation if the equity of that corporation is regularly traded on an established securities market and the management and control of the corporation occurs primarily within the United States. If this legislation caused the Issuer to be taxed as a domestic corporation, the Issuer would be subject to United States net income tax. However, it is unknown whether this proposal will be enacted in its current form and, if enacted, whether the Issuer would be subject to its provisions. Upon enactment of this or similar legislation, the Issuer will be permitted, with an opinion or advice of nationally recognized counsel, to take such action as it deems advisable to prevent the Issuer from being subject to such legislation. These actions could include delisting one or more Classes of Notes from the Irish Stock Exchange without the consent of the affected holders.

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

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

*The Issuer*. The Issuer is a recently formed Cayman Islands entity and has no prior operating history other than in connection with the acquisition of certain Collateral Debt Securities prior to the issuance of the Offered Securities and the entering into of arrangements with respect thereto. The Issuer will have no significant assets other than the Collateral Debt Securities, Equity Securities, Eligible Investments and the Accounts and its rights under any Hedge Agreements 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 Senior Notes (the "Senior Noteholders"), each Hedge Counterparty, the Collateral Manager and other Secured Parties. The Issuer will not engage in any business activity other than (i) the issuance of the Notes and its ordinary shares, (ii) the acquisition, disposition of, and investment in, Collateral Debt Securities, Equity Securities and Eligible Investments, (iii) the entering into, and the performance of its obligations under the Indenture, the Deed of Covenant, the Fiscal Agency Agreement, the Notes, the Placement Agency Agreement, the Account Control Agreement, the Collateral Management Agreement, the Hedge Agreements, the Collateral Administration Agreement and the Administration 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 and (vi) certain activities conducted in connection with the payment of amounts in respect of the Offered Securities, the management of the Collateral and other incidental activities. Income derived from the Collateral Debt Securities and other Collateral will be the Issuer's only source of cash.

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

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

*Limited Source of Funds to Pay Expenses of the Issuer*. The funds available to the Issuer to pay certain of its operating costs and expenses (including Other Administrative Expenses) on any Distribution Date prior to payment of other amounts in accordance with the Priority of Payments are limited (see "Description of the Notes—Priority of Payments"). In the event that such funds are not sufficient to pay the costs and expenses incurred by the Issuer, the

ability of the Issuer to operate effectively may be impaired and it may not be able to defend or prosecute legal proceedings brought against it or which it might otherwise bring to protect the interests of the Issuer.

## DESCRIPTION OF THE NOTES

*The Senior Notes will be issued pursuant to the Indenture. The Junior Notes will be issued pursuant to the Deed of Covenant and administered pursuant to the Fiscal Agency Agreement. The following summary describes certain provisions of the Notes, the Indenture and the Fiscal Agency Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture and the Fiscal Agency Agreement. After the Closing Date, copies of the Indenture or the Fiscal Agency Agreement may be obtained by prospective investors upon request to the Trustee or the Fiscal Agent (as applicable) at LaSalle Bank National Association, 181 West Madison Street, 32nd Floor, Chicago, IL 60602, Attention: CDO Trust Services Group—Triaxx Prime CDO 2006-2, Ltd.*

### Status and Security

The Notes will be limited recourse debt obligations of the Co-Issuers. All of the Class A-1A Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-1B1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-1B2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-1BV 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 X Notes are entitled to receive payments *pari passu* among themselves and all of the Class C Notes are entitled to receive payments *pari passu* among themselves. Except as otherwise described in the Priority of Payments, the relative order of seniority of payment of each Class of Notes on each Distribution Date is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, Class X Notes and, *fifth*, the Class C Notes, with each Class of Notes (other than the Class A-1 Notes) in such list being Subordinate to each other Class of Notes that precedes such Class of Notes in such list. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. Except as otherwise described in the Priority of Payments, no payment of principal of any Class of Notes will be made until all principal of, and accrued and unpaid interest on, the Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Notes—Priority of Payments."

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 Senior Notes subject in the case of any Synthetic Security Counterparty Account to the security interest of the related Synthetic Security Counterparty in such Account. Pursuant to the Security Agreement, the Issuer will grant to the Fiscal Agent for the benefit of the Junior Noteholders a second priority security interest in the Collateral, subject to the prior lien of the Indenture in favor of the Secured Parties.

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.

On the Closing Date, the Issuer will issue the Class MT Notes, the holders of which will be paid on each Distribution Date the Class MT Note Distribution Amount. The Class MT Notes are not offered hereby.

**Interest**

The Class A-1A Notes will bear interest at a floating rate *per annum* equal to one-month LIBOR (determined as described herein) *plus* 0.26%. The Class A-1B1 Notes will bear interest at a floating rate *per annum* equal to one-month LIBOR (determined as described herein) *plus* 0.26%. The Class A-1B2 Notes will bear interest at a floating rate *per annum* equal to one-month LIBOR (determined as described herein) *plus* 0.26%. The Class A-1BV Notes will bear interest at a floating rate *per annum* equal to one-month LIBOR (determined as described herein) *plus* 0.26%. The Class A-2 Notes will bear interest at a floating rate *per annum* equal to three-month LIBOR *plus* 0.525%. The Class B Notes will bear interest at a floating rate *per annum* equal to three-month LIBOR *plus* 0.80%. The Class X Notes will bear interest at a floating rate *per annum* equal to three-month LIBOR *plus* 1.35%. The Class C Notes will bear interest at a floating rate *per annum* equal to three-month LIBOR *plus* 1.55%. Interest on the Notes will be computed on the basis of a 360-day year and the actual number of days elapsed. LIBOR for the first Interest Period for all Notes will be an interpolated LIBOR for the period from the Closing Date to the first Quarterly Distribution Date.

Interest will accrue on the Aggregate Outstanding Amount of the Class A-1 Notes, in the case of the initial Interest Period, for the period from and including the Closing Date to but excluding the next succeeding Distribution Date and thereafter, the period from and including the Distribution Date immediately following the last day of the immediately preceding Interest Period, to, but excluding, the next succeeding Distribution Date. With respect to each other Class of Notes, interest will accrue on the Aggregate Outstanding 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) (i) in the case of the initial Interest Period, the period from and including the Closing Date to but excluding the first applicable Quarterly Distribution Date, and (ii) thereafter, the period from and including such Quarterly Distribution Date immediately following the last day of the immediately preceding Interest Period to but excluding the next succeeding Quarterly Distribution Date, until such Notes are paid in full.

Interest on the Class A-1 Notes will be payable in U.S. dollars monthly in arrears on the 2nd day of each month (each a "Distribution Date"), commencing with the Distribution Date in February 2007; *provided* that (i) the final Distribution Date with respect to the Notes will be the Stated Maturity, (ii) if a Distribution Date would otherwise fall on a day that is not a Business Day, the relevant Distribution Date will be the first following day that is a Business Day and (iii) the Accelerated Maturity Date shall be a Distribution Date.

Interest on all other Classes of Notes will be payable in U.S. dollars quarterly in arrears on the 2nd day of April, July, October and January of each year (each, a "Quarterly Distribution Date"), commencing in April 2007; *provided* that (i) the final Quarterly Distribution Date with respect to the Notes will be the Stated Maturity, (ii) if a Quarterly Distribution Date would otherwise fall on a day that is not a Business Day, the relevant Quarterly Distribution Date will be the first following day that is a Business Day and (iii) the Accelerated Maturity Date shall be a Quarterly Distribution Date.

So long as any Class of Notes is outstanding, if any Coverage Test applicable to such Class is not satisfied on any Determination Date related to any Distribution Date, Interest Proceeds and, if necessary, Principal Proceeds that would otherwise be distributed to the Collateral Manager as Incentive Management Fees, to make payments in respect of interest on any Class of Notes Subordinate to such Class or to pay principal of the Class X Notes will be used instead to redeem the Notes in accordance with the Priority of Payments until each Coverage Test is satisfied. See "Description of the Notes—Priority of Payments." The Overcollateralization Tests will not apply during the Ramp-Up Period. The Interest Coverage Tests will not apply until the Quarterly Distribution Date immediately following the Ramp-Up Completion Date.

So long as any Class A-1 Notes, Class A-2 Notes or Class B Notes are outstanding, any interest due on the Class X Notes which is not paid as a result of the operation of the Priority of Payments on any Distribution Date (any such interest, "Class X Deferred Interest Amount") shall be deferred and added to the Aggregate Outstanding Amount of the Class X Notes, and shall not be considered "due and payable" until the Distribution Date on which funds are available to pay such Class X Deferred Interest Amount in accordance with the Priority of Payments; *provided* that no accrued interest on the Class X Notes shall become Class X Deferred Interest Amount unless Class A-1 Notes, Class A-2 Notes or Class B Notes are then outstanding. Class X Deferred Interest Amount accrued to any Distribution Date shall bear interest equal to LIBOR *plus* 1.35% *per annum* and shall be payable on the first Quarterly Distribution Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments. Upon the payment of Class X Deferred Interest Amount, the Aggregate Outstanding Amount of the Class X Notes will be reduced by the amount of such payment.

So long as any Class A-1 Notes, Class A-2 Notes, Class B Notes or Class X Notes are outstanding, any interest due on the Class C Notes which is not paid as a result of the operation of the Priority of Payments on any Distribution Date (any such interest, "Class C Deferred Interest Amount") shall be deferred and added to the Aggregate Outstanding Amount of the Class C Notes, and shall not be considered "due and payable" until the Distribution Date on which funds are available to pay such Class C Deferred Interest Amount in accordance with the Priority of Payments; *provided* that no accrued interest on the Class C Notes shall become Class C Deferred Interest Amount unless Class A-1 Notes, Class A-2 Notes, Class B Notes or Class X Notes are then outstanding. Class C Deferred Interest Amount accrued to any Distribution Date shall bear interest equal to LIBOR *plus* 1.55% *per annum* and shall be payable on the first Quarterly Distribution Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments. Upon the payment of Class C Deferred Interest

Amount, the Aggregate Outstanding Amount of the Class C 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 such part, from the date of repayment or Stated Maturity unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments. To the extent lawful and enforceable, interest on any Defaulted Interest on any Note will accrue at the interest rate applicable to such Note until paid in full. "Defaulted Interest" means any interest due and payable in respect of any Note which is not punctually paid or duly provided for on the applicable Distribution Date or Quarterly Distribution Date, as applicable, or at Stated Maturity and which remains unpaid. So long as any Class A Notes or Class B Notes are outstanding, the Class X Deferred Interest Amount will not constitute Defaulted Interest. So long as any Class A Notes, Class B Notes or Class X Notes are outstanding, the Class C Deferred Interest Amount will not constitute Defaulted Interest.

Definitions

"Aggregate Outstanding Amount" means, when used with respect to any of the Notes at any time, the aggregate principal amount of such Notes outstanding at such time. Except as otherwise expressly provided herein, (a) the Aggregate Outstanding Amount of any Class X Notes at any time shall include the Class X Deferred Interest Amount with respect to such Notes at such time and (b) the Aggregate Outstanding Amount of any Class C Notes at any time shall include the Class C Deferred Interest Amount with respect to such Notes at such time. The Aggregate Outstanding Amount of the Class X Notes will reflect the initial principal amount of the Class X Notes on the Closing Date as reduced by payments of the Class X Principal Amount and all other payments of principal pursuant to the Priority of Payments since the Closing Date. Any Interest Proceeds or Principal Proceeds applied to pay principal of the Class X Notes or the Class C Notes will be applied first to pay any Class X Deferred Interest Amount or Class C Deferred Interest Amount, as applicable.

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

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

(1) On each LIBOR Determination Date, "LIBOR" shall equal the offered rate, as determined by the Calculation Agent, for U.S. dollar deposits in Europe of the Designated Maturity that appears on Telerate Page 3750 (or such other page as may replace such

Telerate Page 3750 for the purpose of displaying comparable rates), as reported by Bloomberg Financial Markets Commodities News, as of 11:00 a.m. (London time) on the applicable LIBOR Determination Date. "LIBOR Determination Date" means, with respect to any Interest Period, the second London Banking Day prior to the first day of such Interest Period. With respect to the first Interest Period only, one-month LIBOR shall equal the offered rate as of December 12, 2006, which is 5.35%, and three-month LIBOR shall equal the offered rate as of December 12, 2006 which is 5.36%.

(2) If, on any LIBOR Determination Date, such rate does not appear on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as reported by Bloomberg Financial Markets Commodities News, the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to prime banks in the London interbank market for U.S. dollar deposits of one month or three months, as applicable (or as set forth below in clause (3)) (except that in the case where such Interest Period shall commence on a day that is not a LIBOR Business Day, for the relevant term commencing on the next following LIBOR Business Day), by reference to requests for quotations as of approximately 11:00 a.m. (London time) on such LIBOR Determination Date made by the Calculation Agent to the Reference Banks. If, on any LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal the arithmetic mean of such quotations. If, on any LIBOR Determination Date, fewer than two Reference Banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in New York City selected by the Calculation Agent are quoting on the relevant LIBOR Determination Date for U.S. dollar deposits for the term of such Interest Period (except that in the case where such Interest Period shall commence on a day that is not a LIBOR Business Day, for the relevant term commencing on the next following LIBOR Business Day), to the principal London offices of leading banks in the London interbank market.

(3) In respect of any Interest Period having a Designated Maturity other than one or three months, as applicable, LIBOR shall be determined through the use of straight-line interpolation by reference to two rates calculated in accordance with clauses (1) and (2) above, one of which shall be determined as if the maturity of the U.S. dollar deposits referred to therein were the period of time for which rates are available next shorter than the Interest Period and the other of which shall be determined as if such maturity were the period of time for which rates are available next longer than the Interest Period; *provided* that, if an Interest Period is less than or equal to seven days, then LIBOR shall be determined by reference to a rate calculated in accordance with clauses (1) and (2) above as if the maturity of the U.S. dollar deposits referred to therein were a period of time equal to seven days.

(4) If the Calculation Agent is required but is unable to determine a rate in accordance with either procedure described in clauses (1) or (2) above, LIBOR with respect to such interest Period shall be the arithmetic mean of the offered quotations of the Reference Dealers as of 10:00 a.m. (New York time) on the first day of such Interest Period for negotiable U.S. Dollar certificates of deposit of major U.S. money market banks having a remaining maturity closest to the Designated Maturity.

(5) If the Calculation Agent is required but is unable to determine a rate in accordance with any of the procedures described in clauses (1), (2) or (4) above, LIBOR with

respect to such Interest Period will be calculated on the last day of such Interest Period and shall be the arithmetic mean of the Base Rate for each day during such Interest Period.

For purposes of clauses (1), (3), (4) and (5) above, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point. For the purposes of clause (2) above, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one thirty-second of a percentage point.

Notwithstanding the foregoing, "LIBOR," for purposes of calculating the Weighted Average Spread with respect to Pledged Collateral Debt Securities paying interest at a floating rate not expressed as a stated spread above LIBOR will be determined by the Calculation Agent in accordance with the following provisions:

(a) LIBOR for any interest period of a Pledged Collateral Debt Security shall equal the offered rate, as determined by the Calculation Agent, for U.S. dollar deposits of a term of one month that appears on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as reported by Bloomberg Financial Markets Commodities News, as of 11:00 a.m. (London time) on the applicable date of determination.

(b) If, on any date of determination, such rate does not appear on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as reported by Bloomberg Financial Markets Commodities News, the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to prime banks in the London interbank market for U.S. dollar deposits of one month, by reference to requests for quotations as of approximately 11:00 a.m. (London time) on such date of determination made by the Calculation Agent to the Reference Banks. If, on any date of determination, at least two of the Reference Banks provide such quotations, LIBOR shall equal such arithmetic mean. If, on any date of determination, fewer than two Reference Banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in New York City selected by the Calculation Agent are quoting on the relevant date of determination for U.S. dollar deposits for the term of one month, to the principal London offices of leading banks in the London interbank market.

(c) If the Calculation Agent is required but is unable to determine a rate in accordance with either procedure described in clauses (a) or (b) above, LIBOR with respect to such interest period shall be the arithmetic mean of the offered quotations of the Reference Dealers as of 10:00 a.m. (New York time) on the date of determination for negotiable U.S. dollar certificates of deposit of major U.S. money market banks having a remaining maturity closest to the Designated Maturity.

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

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

"Base Rate Reference Bank" means 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.

"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" mean four major banks in the London interbank market, selected by the Calculation Agent.

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

As soon as possible after 11:00 a.m. (London time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (New York time) the Business Day immediately following each LIBOR Determination Date, the Calculation Agent will notify the Co-Issuers, the Collateral Manager, the Trustee, the Fiscal Agent, each Paying Agent, the Depositary, each Hedge Counterparty, the Irish Paying Agent (so long as any Class of Notes is listed on the Irish Stock Exchange) and, if applicable, Euroclear and Clearstream, Luxembourg of the applicable *per annum* rate (the "Note Interest Rate") for each Class of Notes for the related Interest Period and the amount of interest for such Interest Period payable on the related Distribution Date in respect of each U.S.$1,000 principal amount of the Notes of each Class (rounded to the nearest cent, with half a cent being rounded upward). The Calculation Agent will also specify to the Co-Issuers, each Hedge Counterparty and the Collateral Manager the quotations upon which the Note Interest Rates are based. The Calculation Agent will in any event notify the Issuer before 5:00 p.m. (New York time) on each LIBOR Determination Date if it has not determined and is not in the process of determining the Note Interest Rates and the applicable amount of periodic interest for the Notes with respect to such Interest Period, together with its reasons therefor.

The determination of the Note Interest Rate and the Interest Distribution Amount with respect to each Class of the Notes by the Calculation Agent will (in the absence of manifest error) be final and binding upon all parties.

"Designated Maturity" means (a) with respect to the Class A-1 Notes (i) for the first Interest Period, the number of calendar days from and including the Closing Date to but excluding the first Distribution Date, (ii) for each Interest Period after the first Interest Period (other than the Interest Period ending in October 2039), one month and (iii) for the Interest

Period ending in October 2039, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Distribution Date; and (b) with respect to each other Class of Notes, (i) for the first Interest Period, the number of calendar days from, and including the Closing Date to but excluding the first Quarterly Distribution Date, (ii) for each Interest Period after the first Interest Period (other than the Interest Period ending in October 2039), three months and (iii) for the Interest Period ending in October 2039, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Quarterly Distribution Date.

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

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

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

**Principal**

The Stated Maturity of the Notes is the Quarterly Distribution Date in October 2039. 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 Life of the Notes and Prepayment Considerations" and "Maturity, Prepayment and Yield Considerations." Any payment of principal with respect to any Class of Notes (including any payment of principal made in connection with an Optional Redemption, Auction Call Redemption or Tax Redemption) will be made by the Trustee on a *pro rata* basis on each Distribution Date among the Notes of such Class according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment. The Trustee will, so long as any Class of Notes is listed on the Irish Stock Exchange, notify the Irish Paying Agent not later than each Distribution Date of the amount of principal payments to be made on the Notes of each such Class on such Distribution Date, the amount of any Class X Deferred Interest Amount, any Class C Deferred Interest Amount, 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 Distribution Date.

During the Reinvestment Period, no payments of principal may be made on the Notes except in the following circumstances (subject, in each case, to the Priority of Payments): (a) in connection with an Optional Redemption, Tax Redemption, Auction Call Redemption or Accelerated Maturity Date, (b) on any Quarterly Distribution Date from Interest Proceeds (and then Principal Proceeds, if needed), upon the failure of the Issuer to meet any Coverage Test as of the related Determination Date, (c) in the event of a Rating Confirmation Failure, (d) to pay any Class X Deferred Interest Amount or any Class C Deferred Interest Amount, (e) to pay Class X Principal Amounts, (f) on each Quarterly Distribution Date from Interest Proceeds to pay principal of the Class C Notes as provided in the Priority of Payments, (g) on any Quarterly Distribution Date on or after the Distribution Date in January 2015, from Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Collateral Manager, in reverse order of seniority until the Notes have been paid in full and (h) upon the election by the Collateral Manager (in written notice to the Trustee given price to the relevant Determination Date) to apply Principal Proceeds designated by it in accordance with the Priority of Payments on the immediately succeeding Distribution Date.

With respect to the Class X Notes, the Class X Principal Amount will be payable on each Quarterly Distribution Date from Interest Proceeds and to the extent that Interest Proceeds are insufficient on such Quarterly Distribution Date to make such payment, Principal Proceeds.

After the last day of the Reinvestment Period, principal will be paid on the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes) on each Distribution Date.

On any Quarterly Distribution Date that occurs after the last day of the Reinvestment Period, Principal Proceeds (after payment of certain other amounts) will be applied in direct order of seniority in accordance with the Priority of Payments to pay principal of the Notes, with the principal of Class A-1A Notes and the A-1B Notes being paid in accordance with the Class A-1B Payment Priority, pro rata (based on the Aggregate Outstanding Amount of each Class of Notes) prior to the payment of principal of Class A-2 Notes, the principal of Class A-2 Notes being paid prior to the payment of the principal of Class B Notes, the principal of Class B Notes being paid prior to the payment of the principal of Class X Notes and the principal of Class X Notes being paid prior to the payment of the principal of Class C Notes.

So long as any Class A-1 Notes, Class A-2 Notes or Class B Notes are outstanding, if a Class A/B Coverage Test is not satisfied on any Determination Date related to a Distribution Date, then (i) Interest Proceeds that would otherwise be used to make payments on such Distribution Date in respect of principal and interest on the Class X Notes, interest on the Class C Notes, certain fees and expenses and distributions of the Incentive Management Fee to the Collateral Manager will be used instead to redeem the principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2

Notes and, *third*, the Class B Notes, until such Class A/B Coverage Test is satisfied and (ii) if Interest Proceeds are not sufficient to make such required redemption, then Principal Proceeds will be used to redeem principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes and, *third*, the Class B Notes, until such Class A/B Coverage Test has been satisfied.

Additionally, so long as any Class A-1 Note, Class A-2 Note, Class B Note, Class X Note or Class C Note is outstanding, if a Class C Coverage Test is not satisfied on any Determination Date related to a Distribution Date, then (i) Interest Proceeds that would otherwise be used to make payments on such Distribution Date in respect of certain fees and expenses, and distributions of the Incentive Management Fee to the Collateral Manager, will be used instead to redeem principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes *fourth* (solely in the case of the Class C Interest Coverage Test) the Class X Notes and, *fifth*, the Class C Notes until such Class C Coverage Test has been satisfied, and (ii) if Interest Proceeds are not sufficient to make such required redemption, then Principal Proceeds will be used to redeem principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth* (solely in the case of the Class C Interest Coverage Test) the Class X Notes and, *fifth*, the Class C Notes, until such Class C Coverage Test has been satisfied.

**Reinvestment Period**

During the Reinvestment Period, subject to the limitations described in "Security for the Notes—Dispositions of Collateral Debt Securities," the Collateral Manager may reinvest Principal Proceeds in substitute Collateral Debt Securities in compliance with the Eligibility Criteria.

After the Reinvestment Period, Principal Proceeds will, after payment of certain fees and expenses and interest on the Notes to the extent not paid from Interest Proceeds, be applied in accordance with the Priority of Payments to repay the principal amount of the Notes.

The Reinvestment Period is scheduled to end on the earliest of (a) the Quarterly Distribution Date occurring in January 2012 or the date of any Optional Redemption or Tax Redemption occurring prior to the Distribution Date in January 2012, (b) the Distribution Date on which the Collateral Manager specifies (by notice to the Trustee) that no further investments in substitute Collateral Debt Securities will occur, (c) the date on which an Indenture Event of Default or a Fiscal Agency Agreement Event of Default occurs, (d) the date on which ICP gives notice of its resignation as Collateral Manager, or the Issuer delivers a notice of termination to ICP notifying it of its termination as Collateral Manager (in accordance with the Collateral Management Agreement), (e) any Measurement Date on which the Moody's Maximum Rating Distribution is greater than 5 and (f) the occurrence of a Rating Trigger.

After the Reinvestment Period ends, no Collateral Debt Security may be acquired by the Issuer unless it was the subject of a commitment entered into by the Issuer prior to the end of the Reinvestment Period.

**Mandatory Redemption**

The Notes will, on any Quarterly Distribution Date, be subject to mandatory redemption in the event that a Coverage Test is not satisfied on the related Determination Date. Any such redemption will be effected from Interest Proceeds (and then Principal Proceeds, if needed) to the extent necessary to cause each applicable Coverage Test to be satisfied. Any such redemption will be effected as described below under "—Priority of Payments." The Overcollateralization Tests will not apply during the Ramp-Up Period. The Interest Coverage Tests will not apply until the Quarterly Distribution Date immediately following the Ramp-Up Completion Date.

If the Co-Issuers fail to receive a Rating Confirmation from Standard & Poor's and (if a Deemed Confirmation does not occur) Moody's prior to the first Determination Date that is at least 30 Business Days following the Ramp-Up Completion Date and delivery to the Rating Agencies of a Ramp-Up Notice, on the first Quarterly Distribution Date following such Rating Confirmation Failure, the Issuer will be required to apply Uninvested Proceeds (which are not required to complete purchases of Collateral Debt Securities) to pay, in part, the principal amount of the Notes in direct order of seniority. To the extent that such Uninvested Proceeds are insufficient to redeem the Notes in order to obtain a Rating Confirmation, on such Quarterly Distribution Date and on each Quarterly Distribution Date thereafter, Interest Proceeds and, to the extent that Interest Proceeds are insufficient to redeem the Notes in order to obtain a Rating Confirmation, Principal Proceeds, will be applied in accordance with the Priority of Payments, to the payment of principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class X Notes and, *fifth*, the Class C Notes, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation. See "Security for the Notes—Ramp-Up Period."

If on any Quarterly Distribution Date on or after the Quarterly Distribution Date in January 2015 any Class of Notes remains outstanding, Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Collateral Manager will instead be applied to pay principal of *first*, the Class C Notes, *second*, the Class X Notes, *third*, the Class B Notes, *fourth*, the Class A-2 Notes and *fifth*, the Class A-1 Notes, until each Class of Notes has been paid in full. See "Description of the Notes—Priority of Payments—Interest Proceeds."

**Auction Call Redemption**

In accordance with the procedures set forth in the Indenture (the "Auction Procedures"), the Trustee shall, at the expense of the Issuer, conduct an auction (an "Auction") of the Collateral Debt Securities if, prior to the Quarterly Distribution Date occurring in January 2015, the Notes have not been redeemed in full. The Auction shall be conducted not later than (1) ten Business Days prior to the Quarterly Distribution Date occurring in January 2015 and (2) if the Notes are not redeemed in full on the prior Quarterly Distribution Date, ten Business

Days prior to each Quarterly Distribution Date thereafter until the Notes have been redeemed in full (each such date, an "Auction Date"). Any of the Collateral Manager, the Trustee, the Fiscal Agent, the Placement Agent or their respective affiliates may, but shall not be required to, bid at the Auction. The Trustee shall sell and transfer all of the Collateral Debt Securities (which may be divided into 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) with respect to Collateral Debt Securities other than Synthetic Securities:

(A) the Trustee has received bids for such Collateral Debt Securities from at least two qualified bidders identified by the Trustee in consultation with the Collateral Manager (including the winning qualified bidder) for (x) the purchase of all of such Collateral Debt Securities as a single pool or (y) the purchase of subpools that in the aggregate constitute all of such Collateral Debt Securities; and

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

(iii) with respect to each Synthetic Security, the Trustee shall, as instructed by the Collateral Manager on behalf of the Issuer, request that the Synthetic Security Counterparty under such Synthetic Security determine, in accordance with the procedures set forth in the Synthetic Security, the net termination or assignment payment payable by or to the Issuer assuming a termination or assignment date for the relevant Synthetic Security six Business Days prior to the relevant Distribution Date and, in the case of a Defeased Synthetic Security, the Trustee, with the assistance of the Collateral Manager, shall determine the amount (if any) that will be released from the related Synthetic Security Counterparty Account based on the information it receives with respect to the net termination or assignment payment; and

(iv) the Trustee (with the assistance of the Collateral Manager) has determined that (I) the aggregate purchase price (paid in cash) that would be received pursuant to the highest bids obtained with respect to the Collateral Debt Securities (other than Synthetic Securities) pursuant to clause (ii) above *plus* (II) the aggregate net termination or assignment payments that would be payable to the Issuer by Synthetic Security Counterparties as determined pursuant to clause (iii) above

*minus* (III) the aggregate net termination or assignment payments that would be payable under each Defeased Synthetic Security by the Issuer to the Synthetic Security Counterparty as determined pursuant to clause (iii) above *plus* (IV) the balance of all Eligible Investments and cash in the Accounts (other than in any Hedge Counterparty Collateral Account, any Synthetic Security Counterparty Account and any Synthetic Security Issuer Account) *plus* (V) the aggregate amount (if any) that will be released from the Synthetic Security Counterparty Accounts following payment of the net termination or assignment payments described in the foregoing clauses (II) and (III), would be at least equal to the Total Senior Redemption Amount.

If of the conditions set forth in clauses (i), (ii), (iii) and (iv) above have been satisfied, (x) the Trustee shall sell and transfer the Pledged Collateral Debt Securities that are not Synthetic Securities (or the related subpool), without representation, warranty or recourse, to such highest bidder (or the highest bidder for each subpool, as the case may be) and (y) the Issuer will terminate or assign the transactions under each Synthetic Security, in each case, (A) in accordance with and upon completion of the Auction Procedures and (B) on or before the sixth Business Day prior to the relevant Quarterly Distribution Date. The Trustee shall deposit the net proceeds from the sale of, and the net termination or assignment payments received in respect of, the Collateral Debt Securities, together with any Synthetic Security Collateral released from the Synthetic Security Counterparty Account, in the Collection Accounts (and pay net termination payments, if any, due to counterparties) and (x) redeem the Notes in whole but not in part at the applicable Redemption Price (exclusive of installments of principal and interest 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 Collateral Manager of all remaining amounts as Incentive Management Fee (such redemption, the "Auction Call Redemption").

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

Without the consent of the Noteholders or any Hedge Counterparty, the Issuer and the Trustee may change the procedures for implementing an Auction Call Redemption (but not the Redemption Price or the earliest date on which such a redemption may occur), including deadlines, at the direction of the Collateral Manager. See "Description of the Notes—The Indenture—Modification of the Indenture."

**Optional Redemption and Tax Redemption**

Subject to certain conditions described herein, the Issuer may redeem the Notes (such redemption, an "Optional Redemption"), in whole but not in part, at the direction of holders of at least a SupraMajority of the Class C Notes with the consent of the Collateral Manager at the applicable Redemption Price therefor on any Quarterly Distribution Date; *provided* that no such Optional Redemption may be effected prior to the Quarterly Distribution Date occurring in January 2012.

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

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

The "Total Senior Redemption Amount" means, as of any Redemption Date, the aggregate amount required (without duplication) (a) to make all payments of accrued and unpaid amounts referred to in clauses (1) through (15) of the Interest Proceeds Waterfall and clauses (1) through (10) and (13) of the Principal Proceeds Waterfall, to pay all amounts payable as of such date (including any termination payments and any accrued interest thereon) by the Issuer to the Hedge Counterparty pursuant to any Hedge Agreement (assuming for these purposes that any such Hedge Agreement has been terminated by reason of an event of default or termination event as to which the Issuer is the sole defaulting or affected party), to pay any fees and expenses incurred by the Trustee or the Collateral Manager in connection with the sale of Collateral Debt Securities and to pay any accrued and unpaid Subordinate Management Fee (but excluding any payments of Incentive Management Fee) and (b) to redeem all the Notes on the scheduled Redemption Date at the applicable Redemption Prices, together with all accrued and unpaid interest to (but excluding) the date of redemption.

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

A "Tax Event" means an event that occurs if (i) any obligor is, or on the next scheduled payment date under any Collateral Debt Security any obligor will be, required to deduct or withhold from any payment under any Collateral Debt Security to the Issuer for or on account of any tax for whatever reason, and such obligor is not, or will not be, required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding occurred, (ii) any jurisdiction imposes net income, profits or a similar tax on the Issuer, (iii) a Hedge Counterparty or Synthetic Security Counterparty is required to deduct or withhold from any payment under a Hedge Agreement or a Synthetic Security on account of any tax and such Hedge Counterparty or Synthetic Security Counterparty is not obligated to make a gross up payment to the Issuer or the Issuer is required to make a "gross up" payment under a Hedge Agreement or under a Synthetic Security.

The "Tax Materiality Condition" means a condition which will be satisfied during any 12-month period if the sum of the following exceeds U.S.$1,000,000: (i) the aggregate amount deducted or withheld for or on account of any tax by all obligors from any payment under any Collateral Debt Security (net of any gross-up payment made by such obligor to the Issuer), (ii) the aggregate amount of any net income, profits or similar tax imposed on the Issuer and (iii) the aggregate of any amounts of any "gross up" payments required to be paid by the Issuer on account of tax under a Synthetic Security or a Hedge Agreement and the deficiencies in the amounts received by the Issuer as a result of any deduction or withholding for or on account of any tax with respect to any payment by the Issuer or any Hedge Counterparty under a Hedge Agreement or by the Issuer or any Synthetic Security Counterparty under a Synthetic Security.

**Redemption Procedures**

Notice of an Optional Redemption, Auction Call Redemption or Tax Redemption will be given by first-class mail, postage prepaid, mailed not less than 10 Business Days prior to the date scheduled for redemption (the "Redemption Date"), to each holder of Notes at such holder's address in the register maintained by the Senior Note Registrar under the Indenture or the Junior Note Registrar under the Fiscal Agency Agreement (as applicable), each Hedge Counterparty and to each Rating Agency. In addition, the Trustee will, if and for so long as any Class of Notes to be redeemed is listed on the Irish Stock Exchange, direct the Irish Paying Agent to (i) cause notice of such Auction Call Redemption, Optional Redemption or Tax Redemption to be delivered to the Company Announcements Office of the Irish Stock Exchange not less than 10 Business Days prior to the Redemption Date and (ii) promptly notify the Irish Stock Exchange of such Auction Call Redemption, Optional Redemption or Tax Redemption. Notes must be surrendered at the offices designated by any Paying Agent under the Indenture or the Fiscal Agency Agreement 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, the Trustee or the Fiscal Agent, as applicable.

The Notes may not be redeemed pursuant to an Optional Redemption or Tax Redemption unless at least six Business Days before the scheduled Redemption Date, the Issuer shall have furnished to the Trustee and each Hedge Counterparty, and certified to the Trustee that

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

Any such notice of redemption with respect to an Optional Redemption or a Tax Redemption must be withdrawn by the Issuer on or prior to the fifth Business Day prior to the scheduled Redemption Date by written notice to the Trustee, each Hedge Counterparty, the Fiscal Agent, the Rating Agencies and the holders of the Notes if on or prior to the sixth Business Day preceding the scheduled Redemption Date (i) the Issuer has not delivered to the Trustee a certification that (1) in its judgment based on calculations included in such certification, the Available Redemption Funds will be sufficient to pay the Total Senior Redemption Amount and (2) the sale prices of such Collateral Debt Securities are not (in the sole judgment of the Collateral Manager) below the fair market value of such Collateral Debt Securities, (ii) the independent accountants appointed by the Issuer have not confirmed in writing the calculations made in such certification or (iii) in the case of any Cash Purchaser, such purchaser has not paid the purchase price in full to the Issuer on or prior to such sixth Business Day preceding the scheduled Redemption Date. Any notice of redemption with respect to an Auction Call Redemption must be withdrawn under the circumstances described under "—Auction Call Redemption." Notice of any such withdrawal shall be given by the Trustee to each holder of Notes at such holder's address in the Senior Note Register maintained by the Senior Note Registrar under the Indenture or in the Junior Note Register maintained by the Junior Note Registrar under the Fiscal Agency Agreement (as applicable) by overnight courier guaranteeing next day delivery, sent not later than the fifth Business Day prior to the scheduled Redemption Date. During the period when a notice of redemption may be withdrawn, the Issuer may not terminate any Hedge Agreement or Synthetic Security Agreement and if any Hedge Agreement shall become subject to early termination during such period, the Issuer is obligated to enter into a replacement Hedge Agreement.

The Available Redemption Funds shall take into account any termination or assignment payment to be made by or to the Issuer, and the amount to be released from each Synthetic Security Counterparty Account, in connection with the termination or assignment of the Synthetic Securities, which shall be determined in accordance with the terms of each Synthetic Security.

The Issuer and the Trustee may amend the Indenture to change the procedures for implementing a redemption discussed under "—Auction Call Redemption," "—Optional

Redemption and Tax Redemption" and "—Redemption Procedures" (but without changing the Redemption Price or the earliest date on which any redemption may occur), including the deadlines, without obtaining the consent of the holder of any Note.

**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 Aggregate Outstanding Amount of such Note being redeemed *plus* (ii) accrued interest thereon (including Defaulted Interest and accrued, unpaid and uncapitalized interest on Defaulted Interest, if any); *provided* that, in the case of a Tax Redemption where the holders of 100% of the Aggregate Outstanding Amount of an Affected Class of Notes elect to receive less than 100% of the portion of the Total Senior Redemption Amount that would otherwise be payable to the holders of such Affected Class, the Redemption Price as to such Affected Class is the amount agreed upon by such Affected Class (and the Total Senior Redemption Amount will be reduced accordingly).

**Cancellation**

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

**Payments**

Payments in respect of principal of, interest on any Note will be made to the person in whose name such Note is registered fifteen days prior to the Distribution Date or Quarterly Distribution Date, as applicable (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 or the Fiscal Agency Agreement (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 Senior Note Register or the Junior Note Register (as applicable) at the close of business on the Record Date for such payment. Notes must be surrendered at the offices designated by any Paying Agent under the Indenture or the Fiscal Agency Agreement (as applicable) in order to receive the applicable Redemption Price, unless the holder provides in the case of a holder that is not a Qualified Institutional Buyer, such security or indemnity as may be required by the Co-Issuers, the Trustee or the Fiscal Agent, as applicable. Pursuant to the Indenture and the Fiscal Agency Agreement, Custom House Administration and Corporate Services Limited in Dublin, Ireland will be appointed as paying agent in Ireland with respect to the Notes (the "Paying Agent in Ireland").

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

Except as otherwise required by applicable law, any money deposited with the Trustee, the Fiscal Agent or any Paying Agent in trust for the payment of principal of or interest

on any Note, 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, the Fiscal Agent or such Paying Agent with respect to such trust money (but only to the extent of the amounts paid to the Co-Issuers) shall thereupon cease. The Trustee, the Fiscal Agent or the Paying Agent, before being required to make any such release of payment may adopt and employ, at the expense of the Co-Issuers, any reasonable means of notification of such release of payment, including mailing notice of such release to holders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in monies due and payable but not claimed is determinable from the records of any Paying Agent, at the last address of record of each such holder.

If any withholding tax is imposed on the Issuer's payment under the Notes to any Noteholder, such tax shall reduce the amount of such payment otherwise distributable to such Noteholder. The Trustee and the Fiscal Agent are each authorized and directed under the Indenture and the Fiscal Agency Agreement to retain from amounts otherwise distributable to any Noteholder sufficient funds for the payment of any tax that is legally owed by the Issuer (but such authorization will not prevent the Trustee or the Fiscal Agent from contesting any such tax in appropriate proceedings and withholding payment of such tax, if permitted by law, pending the outcome of such proceedings). The amount of any withholding tax imposed with respect to any Noteholder will be treated as cash distributed to such Noteholder at the time it is withheld by the Trustee and remitted to the appropriate taxing authority. The Trustee or the Fiscal Agent, as applicable, will determine in its sole discretion whether to withhold tax with respect to a distribution in accordance with the Indenture or the Fiscal Agency Agreement. If any Noteholder wishes to apply for a refund of any such withholding tax, the Trustee or the Fiscal Agent, as applicable, will reasonably cooperate with such Noteholder in making such claim so long as such Noteholder agrees to reimburse the Trustee or the Fiscal Agent, as applicable, for any out-of-pocket expenses incurred. Failure of a holder of a Note to provide the Trustee, any Paying Agent, the Fiscal Agent and the Issuer with appropriate tax certificates will result in amounts being withheld from the payment to such holders. Neither the Trustee nor the Fiscal Agent has any obligation to determine the amount of any tax or withholding obligation on the part of the Issuer or in respect of the Collateral Debt Securities. Amounts withheld pursuant to applicable tax laws shall be considered as having been paid by the Issuer as provided in the Indenture and the Fiscal Agency Agreement. In the event that tax must be withheld or deducted from payments of principal or interest, neither Co-Issuer shall be obliged to make any additional payments to the holders of any Notes on account of such withholding or deduction.

**Priority of Payments**

With respect to any Distribution Date, collections received on the Collateral during each Due Period will be divided into Interest Proceeds and Principal Proceeds and applied (with respect to Principal Proceeds, after the Ramp-Up Period) in the priority set forth below under "—Interest Proceeds" and "—Principal Proceeds," respectively (collectively, the "Priority of Payments"). "Due Period" means, (1) with respect to any Quarterly Distribution Date, each period from, and including, the 25th day of the calendar month preceding the immediately preceding Quarterly Distribution Date to, but excluding, the 25th day of the calendar month

preceding such Quarterly Distribution Date, except that (a) the initial Due Period will commence on, and include, the Closing Date and (b) the final Due Period will end on, and include, the day preceding the Stated Maturity of the Notes and (2) with respect to any Distribution Date that is not a Quarterly Distribution Date, each period from, and including, the 25th day of the calendar month preceding the immediately preceding Distribution Date to, but excluding, the 25th day of the calendar month preceding such Distribution Date, except that (a) the initial Due Period will commence on, and include, the Closing Date and (b) the final Due Period will end on, and include, the day preceding the Stated Maturity of the Notes. Amounts that would otherwise have been payable in respect of a Pledged Collateral Debt Security on the last day of a Due Period but for such day's not being a designated business day in the Underlying Instruments or a Business Day under the Indenture shall be considered included in collections received during such Due Period; *provided* that such amounts are received no later than the succeeding Business Day. 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. The "Distribution Date" (other than a Quarterly Distribution Date) relating to any Due Period shall be the Distribution Date that next succeeds the last day of such Due Period.

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

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

(2) (a) *first*, to the payment to the Trustee of the accrued and unpaid Trustee Fee; (b) *second*, to the payment to the Administrator of the accrued and unpaid fees under the Administration Agreement; (c) *third*, to the payment to the Trustee of accrued and unpaid Trustee Expenses (other than amounts payable pursuant to indemnities) under the Indenture and the Fiscal Agency Agreement (and, if an Event of Default has occurred and is continuing under the Indenture or the Fiscal Agency Agreement, payment to the Trustee of accrued and unpaid expenses (including amounts payable pursuant to the indemnity)); (d) *fourth*, to the payment of Rating Agency Expenses; (e) *fifth*, to the Trustee of Trustee Expenses constituting indemnities; (f) *sixth*, to the payment of accrued and unpaid Other Administrative Expenses then due and payable; *provided* that all payments made pursuant to subclauses (b) through (f) of this clause (2) do not exceed on such Distribution Date U.S.$200,000 for such Due Period; and (g) *seventh*, if the balance of all Eligible Investments and cash in the Expense Account on the related Determination Date is less than U.S.$200,000, for deposit to the Expense Account of an amount equal to the lesser of (x) the amount by which U.S.$200,000 exceeds the aggregate amount of payments made under subclauses (b) through (f) of this clause (2) on such Distribution Date and (y) such amount as would have caused the balance of all Eligible Investments and cash in the Expense Account immediately after such deposit to equal U.S.$200,000;

(3) to the payment of all amounts scheduled to be paid to any Hedge Counterparty pursuant to the applicable Hedge Agreement, together with any termination

payments (and any accrued interest thereon) payable by the Issuer pursuant to the applicable Hedge Agreement, other than any Deferred Termination Payment;

(4) *first*, to the payment of the Interest Distribution Amount with respect to the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority) pro rata (based on the Interest Distribution Amount of each Class of Notes) and, *second*, if such Distribution Date is not a Quarterly Distribution Date, to the Interest Collection Account for application as Interest Proceeds on the next Distribution Date;

(5) if such Distribution Date is a Quarterly Distribution Date, to the payment of the Interest Distribution Amount with respect to the Class A-2 Notes;

(6) if such Distribution Date is a Quarterly Distribution Date, to the payment of the Interest Distribution Amount with respect to the Class B Notes;

(7) (a) if such Distribution Date is a Quarterly Distribution Date, if a Class A/B Coverage Test is not satisfied on the related Determination Date and if any Class A-1 Note, Class A-2 Note or Class B Note remains outstanding, to the payment of principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes and, *third*, the Class B Notes, until such Class A/B Coverage Test is satisfied; and (b) on each Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, in the event that the Issuer is unable to obtain a Rating Confirmation, to the payment of principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes and, *third*, the Class B Notes, to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation;

(8) if such Distribution Date is a Quarterly Distribution Date, to the payment of *first*, the Class X Interest Distribution Amount and *second*, the Class X Deferred Interest Amount (in reduction of the Aggregate Outstanding Amount of the Class X Notes);

(9) if such Distribution Date is a Quarterly Distribution Date, to the payment of the Interest Distribution Amount with respect to the Class C Notes;

(10) if such Distribution Date is a Quarterly Distribution Date, to the payment of the Class X Principal Amount;

(11) (a) if such Distribution Date is a Quarterly Distribution Date, if a Class C Coverage Test is not satisfied on the related Determination Date and if any Class A-1 Note, Class A-2 Note, Class B Note, Class X Note or Class C Note remains outstanding, to the payment of principal of *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the

Class A-2 Notes, *third*, the Class B Notes, *fourth* (in the case of the Class C Interest Coverage Test only) the Class X Notes and, *fifth*, the Class C Notes, until such Class C Coverage Test is satisfied; and (b) on each Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, in the event that the Issuer is unable to obtain a Rating Confirmation, to the payment of principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class X Notes and, *fifth*, the Class C Notes, to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation;

(12) if such Distribution Date is a Quarterly Distribution Date, to the payment of the Class C Deferred Interest Amount (in reduction of the Aggregate Outstanding Amount of the Class C Notes);

(13) if such Distribution Date is a Quarterly Distribution Date, to the pro rata payment of the accrued and unpaid Subordinate Management Fee to the Collateral Manager;

(14) if such Distribution Date is a Quarterly Distribution Date, to the payment of principal of the Class C Notes, in an amount equal to 10% of Interest Proceeds remaining on such Distribution Date after application pursuant to clauses (1) through (13) of the Interest Proceeds Waterfall;

(15) if such Distribution Date is a Quarterly Distribution Date, to the payment of, *first*, accrued and unpaid Trustee Expenses, *second*, accrued and unpaid Other Administrative Expenses, in each case in the priority of and to the extent not paid pursuant to clause (2) above (whether as the result of the limitations on amounts set forth therein or otherwise) and, *third*, to the Expense Account, such amount as would have caused the balance of all Eligible Investments and cash in the Expense Account immediately after such deposit to equal U.S.$200,000, *provided* that to the extent that, after application of Interest Proceeds pursuant to clauses (1) through (14) of the Interest Proceeds Waterfall, there are insufficient funds to pay accrued and unpaid Trustee Expenses and/or accrued and unpaid Other Administrative Expenses pursuant to this clause (15), amounts on deposit in the Expense Account will be applied to pay any such shortfall;

(16) if such Distribution Date is a Quarterly Distribution Date, to the payment to each Hedge Counterparty of all Deferred Termination Payments payable by the Issuer pursuant to each Hedge Agreement and to the payment to any Synthetic Security Counterparty of any Defaulted Synthetic Termination Payments payable by the Issuer pursuant to any Synthetic Security, *pro rata* (based on the amount due) among each of the Hedge Counterparties and any Synthetic Security Counterparties to which such payments are payable;

(17) if such Distribution Date is a Quarterly Distribution Date and the balance of all cash and Eligible Investments on deposit in the Quarterly Interest Reserve Account is less than U.S.$500,000, for deposit to the Quarterly Interest Reserve Account of the lesser of (x) Interest Proceeds remaining on such Quarterly Distribution Date after application pursuant to clauses (1) through (16) of the Interest Proceeds Waterfall and (y) the amount by which U.S.$500,000 exceeds the balance of all cash and Eligible Investments in the Quarterly Interest Reserve Account on such Quarterly Distribution Date (after having given effect to transfers of amounts from the Quarterly Interest Reserve Account to the Payment Account immediately prior to such Distribution Date);

(18) if such Distribution Date is a Quarterly Distribution Date, for deposit to the Principal Collection Account the lesser of (x) Interest Proceeds remaining on such Quarterly Distribution Date after application pursuant to clauses (1) through (17) of the Interest Proceeds Waterfall and (y) the amount of Principal Proceeds applied pursuant to the Principal Proceeds Waterfall on prior Distribution Dates to pay amounts owed pursuant to the Interest Proceeds Waterfall (that have not been deposited into the Principal Collection Account pursuant to this clause (18) on prior Quarterly Distribution Dates);

(19) on each Quarterly Distribution Date on and after the Quarterly Distribution Date occurring in January 2015, to the payment of principal of, *first*, the Class C Notes, *second*, the Class X Notes, *third*, the Class B Notes, *fourth*, the Class A-2 Notes and, *fifth*, the Class A-1 Notes, in each case, until paid in full; and

(20) if such Distribution Date is a Quarterly Distribution Date, to the pro rata payment of (x) the Incentive Management Fee to the Collateral Manager and (y) the Class MT Note Distribution Amount to the Class MT Noteholders.

*Principal Proceeds*. After the Ramp-Up Period, on each Distribution Date and on the Accelerated Maturity Date, Principal Proceeds (other than Principal Proceeds invested or designated for investment in Collateral Debt Securities in accordance with the terms of the Indenture) with respect to the related Due Period will be distributed in the order of priority ("Principal Proceeds Waterfall") set forth below:

(1) to the payment of the amounts referred to in clauses (1) to (6) of the Interest Proceeds Waterfall in the same order of priority specified therein and subject to any applicable cap set forth therein, but only to the extent not paid in full thereunder; *provided, however*, that, if such Distribution Date is not a Quarterly Distribution Date, only amounts payable under clauses (1) to (4) of the Interest Proceeds Waterfall shall be paid under this clause (1);

(2) (a) if such Distribution Date is a Quarterly Distribution Date, after giving effect to any application of Uninvested Proceeds and Interest Proceeds, if a Class A/B Coverage Test is not satisfied on the related Determination Date and if any Class A-1 Note, Class A-2 Note or Class B Note remains outstanding, to the payment of principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance

with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes and, *third*, the Class B Notes, until such Class A/B Coverage Test is satisfied; and (b) on each Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, in the event that the Issuer is unable to obtain a Rating Confirmation, to the payment of principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes and, *third*, the Class B Notes, to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation;

(3) for each Distribution Date which occurs after the last day of the Reinvestment Period (a) if such Distribution Date is not a Quarterly Distribution Date, to the payment of, *first*, principal of the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), until each such Class is paid in full and, *second*, for deposit into the Principal Collection Account for application on the next Distribution Date pursuant to the Principal Proceeds Waterfall and (b) if such Distribution Date is a Quarterly Distribution Date, to the payment of principal of, *first*, the Class A-1A Notes and the Class A-1B Notes in accordance with the Class A-1B Payment Priority, pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), until each such Class is paid in full and, *second*, the Class A-2 Notes until paid in full;

(4) if such Distribution Date is a Quarterly Distribution Date which occurs after the last day of the Reinvestment Period, to the payment of principal of the Class B Notes until paid in full;

(5) if such Distribution Date is a Quarterly Distribution Date, to the payment of *first*, the Class X Interest Distribution Amount and *second*, the Class X Deferred Interest Amount (in reduction of the Aggregate Outstanding Amount of the Class X Notes), but only to the extent not paid in full pursuant to clause (8) of the Interest Proceeds Waterfall;

(6) if such Distribution Date is a Quarterly Distribution Date which occurs after the last day of the Reinvestment Period, to the payment of principal of the Class X Notes until the Class X Notes have been paid in full;

(7) if such Distribution Date is a Quarterly Distribution Date, to the payment of Interest Distribution Amount with respect to the Class C Notes, but only to the extent not paid in full pursuant to clause (9) of the Interest Proceeds Waterfall;

(8) if such Distribution Date is a Quarterly Distribution Date, to the payment of the Class X Principal Amount, but only to the extent not paid in full pursuant to clause (10) of the Interest Proceeds Waterfall;

(9) (a) if such Distribution Date is a Quarterly Distribution Date, after giving effect to application of Uninvested Proceeds, Interest Proceeds and Principal Proceeds pursuant to clauses (2) through (8) of the Principal Proceeds Waterfall, if a Class C Coverage Test is not satisfied and if any Class A-1 Note, Class A-2 Note, Class B Note, Class X Note or Class C Note remains outstanding, to the payment of principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth* (in the case of the Class C Interest Coverage Test only) the Class X Notes and, *fifth*, the Class C Notes, until such Class C Coverage Test is satisfied; and (b) 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-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class X Notes and, *fifth*, the Class C Notes, to the extent specified by any relevant Rating Agency in order to obtain a Rating Confirmation with respect to the Notes;

(10) if such Distribution Date is a Quarterly Distribution Date, to the payment of the Class C Deferred Interest Amount (in reduction of the Aggregate Outstanding Amount of the Class C Notes), but only to the extent not paid in full pursuant to clause (12) of the Interest Proceeds Waterfall;

(11) if such Distribution Date is a Quarterly Distribution Date which occurs after the last day of the Reinvestment Period, to the payment of principal of the Class C Notes until paid in full;

(12) for each Quarterly Distribution Date through and including the last Quarterly Distribution Date during the Reinvestment Period, to the Collection Account, to remain available for application to the purchase of substitute Collateral Debt Securities (subject to satisfaction of the Eligibility Criteria), in an amount equal to the amount of Principal Proceeds received during the related Due Period (after giving effect to any payments pursuant to clauses (1) through (11) above);

(13) if such Distribution Date is a Quarterly Distribution Date, to the payment of amounts referred to in clauses (13) through (17) of the Interest Proceeds Waterfall in the same order of priority specified therein, but only to the extent not paid thereunder; and

(14) to the pro rata payment of (x) the Incentive Management Fee to the Collateral Manager and (y) the Class MT Note Distribution Amount to the Class MT Noteholders.

On the first Quarterly Distribution Date following a Rating Confirmation Failure, Uninvested Proceeds (that are not required to complete purchases of Collateral Debt Securities) will be treated as Principal Proceeds and applied to the payment of principal of, *first*, the Class

A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class X Notes and *fifth*, the Class C Notes, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation. In addition, if such Uninvested Proceeds are insufficient to pay such amount, on such Quarterly Distribution Date and on each Quarterly Distribution Date thereafter, the Issuer will use Interest Proceeds and then Principal Proceeds to make such payments in the same manner and order of priority.

Any Interest Proceeds or Principal Proceeds applied to pay principal of the Class X Notes will be applied first to pay any Class X Deferred Interest Amount. Any Interest Proceeds or Principal Proceeds applied to pay principal of the Class C Notes will be applied first to pay any Class C Deferred Interest Amount.

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

Any amounts to be paid to the Class X Notes or the Class C Notes pursuant to the Interest Proceeds Waterfall and the Principal Proceeds Waterfall will be released from the lien of the Indenture and paid to the Fiscal Agent for distribution pursuant to the Fiscal Agency Agreement. On the Redemption Date, the Stated Maturity, the Accelerated Maturity Date or any Post-Acceleration Distribution Date, in the event that after the application of Principal Proceeds and the application of Interest Proceeds under clauses (1) through (16) of the Interest Proceeds Waterfall the principal amount of the Notes has not been paid in full, any amount distributable under clauses (17) and (18) of the Interest Proceeds Waterfall shall be applied first to pay such principal (in order of seniority) of the Notes prior to making any distribution to the Collateral Manager.

Any amounts to be paid to the Collateral Manager pursuant to clause (20) of the Interest Proceeds Waterfall or clause (14) of the Principal Proceeds Waterfall will be released from the lien of the Indenture.

If the Notes 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 then standing to the credit of the Accounts (other than the Hedge 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 pursuant to the Priority of Payments on the next succeeding Distribution Date (which for these purposes shall be deemed to be a Quarterly Distribution Date).

The "Class A-1B Payment Priority" means (a) that distributions of principal to the Class A-1B Notes shall be made in the following order of priority:

(1) to the pro rata payment of principal of (x) the Class A-1B1 Notes and the Class A-1B2 Notes and (y) the Class A-1BV Notes (based on the Aggregate Outstanding Amount of (x) the Class A-1B1 Notes and Class A-1B2 Notes together and (y) the Class A-1BV Notes); and

(2) with respect to amounts distributed to the Class A-1B1 Notes and the Class A-1B2 Notes pursuant to clause (1) above, *first* to the Class A-1B1 Notes until paid in full and *second*, to the Class A-1B2 Notes until paid in full; *provided* that if an Event of Default has occurred and is continuing to the *pari passu* payment of principal of the Class A-1B1 Notes and the Class A-1B2 Notes (based on the Aggregate Outstanding Amount of each Class of Notes); and

(b) that distributions of interest shall be made in the following order of priority:

(1) to the pro rata payment of the Interest Distribution Amount to (x) the Class A-1B1 Notes and the Class A-1B2 Notes and (y) the Class A-1BV Notes (based on the Interest Distribution Amount of (x) the Class A-1B1 Notes and the Class A-1B2 Notes together and (y) the Class A-1BV Notes); and

(2) with respect to amounts distributed to the Class A-1B1 Notes and the Class A-1B2 Notes pursuant to clause (1) above, first to the Class A-1B1 Notes until the Interest Distribution Amount of the Class A-1B1 Notes has been paid in full and second, to the Class A-1B2 Notes until the Interest Distribution Amount of the Class A-1B2 Notes has been paid in full; *provided* that if an Event of Default has occurred and is continuing to the *pari passu* payment of the Interest Distribution Amount of the Class A-1B1 Notes and the Class A-1B2 Notes (based on the Interest Distribution Amount of each Class of Notes).

On the first Quarterly Distribution Date following a Rating Confirmation Failure, Uninvested Proceeds (that are not required to complete purchases of Collateral Debt Securities) will be treated as Principal Proceeds and applied to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class X Notes and *fifth*, the Class C Notes, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation. In addition, if such Uninvested Proceeds are insufficient to pay such amount, on such Quarterly Distribution Date and on each Quarterly Distribution Date thereafter, the Issuer will use Interest Proceeds and then Principal Proceeds to make such payments in the same manner and order of priority.

Any Interest Proceeds or Principal Proceeds applied to pay principal of the Class X Notes will be applied first to pay any Class X Deferred Interest Amount. Any Interest Proceeds or Principal Proceeds applied to pay principal of the Class C Notes will be applied first to pay any Class C Deferred Interest Amount.

Except as otherwise expressly provided in the Priority of Payments, if on any Distribution Date or Quarterly Distribution Date, as applicable, the amount available in the Payment Account from amounts received in the related Due Period is insufficient to make the full amount of the disbursements required under any clause of the Interest Proceeds Waterfall or the Principal Proceeds Waterfall to different Persons, the Trustee will make the disbursements

called for by each such paragraph ratably in accordance with the respective amounts of such disbursements then due and payable to the extent funds are available therefor.

Any amounts to be paid to the Class X Notes or the Class C Notes pursuant to the Interest Proceeds Waterfall and the Principal Proceeds Waterfall will be released from the lien of the Indenture and paid to the Fiscal Agent for distribution pursuant to the Fiscal Agency Agreement. On the Redemption Date, the Stated Maturity, the Accelerated Maturity Date or any Post-Acceleration Distribution Date, in the event that after the application of Principal Proceeds and the application of Interest Proceeds under clauses (1) through (16) of the Interest Proceeds Waterfall the principal amount of the Notes has not been paid in full, any amount distributable under clauses (17) and (18) of the Interest Proceeds Waterfall shall be applied first to pay such principal (in order of seniority) of the Notes prior to making any distribution to the Collateral Manager.

Any amounts to be paid to the Collateral Manager pursuant to clause (20) of the Interest Proceeds Waterfall or clause (14) of the Principal Proceeds Waterfall will be released from the lien of the Indenture.

If the Notes 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 then standing to the credit of the Accounts (other than the Hedge 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 pursuant to the Priority of Payments on the next succeeding Distribution Date (which for these purposes shall be deemed to be a Quarterly Distribution Date).

**Certain Definitions**

"Account Control Agreement" means the agreement, dated as of the Closing Date, among the Issuer, the Trustee, the Custodian and the Fiscal Agent relating to the Accounts.

"Administrative Expenses" means, with respect to any Distribution Date, (a) Trustee Expenses and (b) all amounts (including indemnities) due or accrued with respect to such Distribution Date and payable by the Issuer or the Co-Issuer to (i) the Administrator in respect of fees and expenses under the Administration Agreement, (ii) the independent accountants, agents and counsel of the Issuer for reasonable fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Co-Issuers ), (iii) the Collateral Manager in respect of fees and expenses pursuant to the Collateral Management Agreement, (iv) any other Person in respect of any governmental fee, registered office fee, charge or tax in relation to the Issuer or the Co-Issuer (in each case as certified by an Authorized Officer of the Issuer or the Co-Issuer to the Trustee), (v) the Placement Agent in respect of amounts payable to it under the Placement Agency Agreement, (vi) the Rating Agencies in respect of Rating Agency Expenses, (vii) any other Person in respect of any other fees or expenses permitted under the Indenture or the Fiscal Agency Agreement, the documents delivered pursuant to or in connection with the Indenture, the Fiscal Agency Agreement and the Notes and (viii) any exchange or any listing agent or paying agent appointed in connection with the listing of the Notes on any exchange; *provided* that Administrative Expenses shall not

include (A) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (B) amounts payable in respect of the Notes or the Trustee Fee, (C) any Subordinate Management Fee or Incentive Management Fee payable to the Collateral Manager and (D) amounts payable under any Hedge Agreement.

"Applicable Recovery Rate" means, with respect to any Collateral Debt Security on any Measurement Date, the lowest of (a) an amount equal to the percentage for such Collateral Debt Security set forth in the Moody's recovery rate matrix set forth in Part I of Schedule A hereto (or, in the case of a Single Obligation Synthetic Security that is a Form Approved Synthetic Security, 100% of such percentage for the related Reference Obligation or such other percentage, if any, assigned by Moody's in connection with the approval of a Form Approved Synthetic Security) in (x) the table corresponding to the relevant Collateral Debt Security, (y) the column in such table setting forth the Moody's Rating of such Collateral Debt Security as of the date of issuance of such Collateral Debt Security and (z) the row in such table opposite the ratio (expressed as a percentage) of (i) the Issue of Collateral Debt Securities of which such Collateral Debt Security is a part relative to (ii) the total capitalization of (including both debt and equity securities issued by) the relevant issuer of or obligor on such Collateral Debt Security, determined on the original issue date of such Collateral Debt Security; *provided* that if the Collateral Debt Security is a Synthetic Security (other than a Single Obligation Synthetic Security that is a Form Approved Synthetic Security), the recovery rate will be that assigned by Moody's) and (b) an amount equal to the percentage for such Collateral Debt Security set forth in the Standard & Poor's recovery rate matrix set forth in Part II of Schedule A hereto (or, in the case of a Single Obligation Synthetic Security that is a Form Approved Synthetic Security, 100% of such percentage for the related Reference Obligation) in (x) the applicable table and (y) the row in such table opposite the Standard & Poor's Rating of such Collateral Debt Security at the time of issuance and (z) for purposes of determining the "Calculation Amount" of a Defaulted Security, the column in such table below the then current rating of the most senior Class of Notes Outstanding and, for purposes of determining the "Standard & Poor's Recovery Rate" in connection with the Standard & Poor's Minimum Recovery Rate Test, the column in such table below the rating of the applicable Class of Notes; *provided* that if such Collateral Debt Security is a Synthetic Security (other than a Single Obligation Synthetic Security that is a Form Approved Synthetic Security), the recovery rate will be that assigned by Standard & Poor's.

"Average Quarterly Asset Amount" means, with respect to any Quarterly Distribution Date, the average of the Net Outstanding Portfolio Collateral Balance on the first day of the related Due Period and the last day of the related Due Period.

"Business Day" means a day on which commercial banks are open for business in each of New York, New York, and the city in which the corporate trust office of the Trustee is located and, in the case of the final payment of principal of any Note, the place of presentation of such Note. To the extent action is required of the Paying Agent in Ireland, Dublin, Ireland will be considered in determining "Business Day" for purposes of determining when such Paying Agent action is required.

"Calculation Amount" means with respect to any Defaulted Security at any time, the lesser of (a) the fair market value of such Defaulted Security and (b) the amount obtained by *multiplying* the Applicable Recovery Rate *by* the principal balance of such Defaulted Security.

"Class A-1 Notes" means the Class A-1A Notes and the Class A-1B Notes. With respect to all matters for which the holders of the Class A-1B Notes are permitted to vote or consent to under the transaction documents, so long as the unanimous consent of the holders of the Class A-1B Notes is not required, the holders of the Class A-1BV Notes will be entitled to exercise the voting rights of the holders of the Class A-1B Notes, and the holders of the Class A-1B1 Notes and Class A-1B2 Notes shall have no voting power.

"Class C Deferred Interest Amount" means so long as any Class A-1 Notes, Class A-2 Notes, Class B Notes or Class X Notes are outstanding, any interest due on the Class C Notes which is not paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date.

"Class X Interest Distribution Amount" means the Interest Distribution Amount for the Class X Notes on such Distribution Date.

"Class X Deferred Interest Amount" means so long as any Class A-1 Notes, Class A-2 Notes or Class B Notes are outstanding, any interest due on the Class X Notes which is not paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date.

"Class X Principal Amount" means, with respect to any Quarterly Distribution Date, the lesser of (x) the Aggregate Outstanding Amount of the Class X Notes on such Quarterly Distribution Date and (y) an amount for such Quarterly Distribution Date specified in the following schedule:

| Quarterly Distribution Date | Class X Principal Amortization Amount (U.S.$) |
|---|---|
| 1 | 512,595 |
| 2 | 521,566 |
| 3 | 530,693 |
| 4 | 539,980 |
| 5 | 549,430 |
| 6 | 559,045 |
| 7 | 568,828 |
| 8 | 578,782 |
| 9 | 588,911 |
| 10 | 599,217 |
| 11 | 609,703 |
| 12 | 620,373 |
| 13 | 631,230 |
| 14 | 642,276 |
| 15 | 653,516 |
| 16 | 664,953 |
| 17 | 676,589 |
| 18 | 688,430 |
| 19 | 700,477 |

| Quarterly Distribution Date | Class X Principal Amortization Amount (U.S.$) |
|---|---|
| 20 | 712,735 |
| 21 | 725,208 |
| 22 | 737,900 |
| 23 | 750,813 |
| 24 | 763,952 |
| 25 | 777,321 |
| 26 | 790,924 |
| 27 | 804,765 |
| 28 | 818,849 |
| 29 | 833,179 |
| 30 and thereafter | 847,759 |

"Class MT Note Distribution Amount" means an amount payable by the Issuer to the Class MT Noteholders on any Quarterly Distribution Date equal to 50% of the sum of (a) the Interest Proceeds (if any) remaining after the payment of all amounts payable pursuant to clauses (1) through (19) of the Interest Proceeds Waterfall 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 (13) of the Principal Proceeds Waterfall on such Quarterly Distribution Date.

"Controlling Party" means AIG Financial Products Corp. (or any successor) until the Trustee receives written notice therefrom that such entity is no longer the seller of credit protection on at least one-third of the then Aggregate Outstanding Amount of the Class A-1 Notes.

"Custodian" means the custodian under the Account Control Agreement.

"Defaulted Security" means any Collateral Debt Security:

(1) as to which the issuer has defaulted in the payment of principal or interest without regard to any applicable grace period or waiver; *provided* that a Collateral Debt Security will not be classified as a "Defaulted Security" under this paragraph if (i) the Collateral Manager certifies in writing to the Trustee, in its reasonable business 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 or failure to pay has been cured by the payment of all amounts that were originally scheduled to have been paid;

(2) as to which, as a result of the occurrence of an event of default in accordance with its Underlying Instruments, all amounts due under such Collateral Debt Security have been accelerated prior to its stated maturity or such Collateral Debt Security can be immediately so accelerated, unless such rights of acceleration have been waived or such default is cured;

(3) as to which the Collateral Manager knows the issuer thereof is in default (without giving effect to any applicable grace period or waiver) as to payment (if, in the Collateral Manager's reasonable business judgment, such default is due to non-credit and non-fraud related reasons, beyond the lesser of (x) the number of days until the next Determination

Date and (y) five Business Days) of principal and/or interest on another obligation (and such payment default has not been cured through the payment in cash of principal and interest then due and payable or waived by all of the holders of such security) which is senior or *pari passu* in right of payment to such Collateral Debt Security and which obligation and such Collateral Debt Security are secured by common collateral;

(4) as to which any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer thereof, or there has been proposed or effected any distressed exchange or other debt restructuring pursuant to which the issuer thereof has offered the holders thereof a new security or package of securities that, in the reasonable business judgment of the Collateral Manager, amounts to a diminished financial obligation or is intended solely to enable the relevant obligor to avoid defaulting in the performance of its payment obligations under such Collateral Debt Security; *provided* that a Collateral Debt Security shall not constitute a "Defaulted Security" under this clause (4) if such Collateral Debt Security was acquired in a distressed exchange or other debt restructuring and complies with the requirements of the definition of "Collateral Debt Security" and satisfies paragraphs (1) through (4), (6) through (10) (except with respect to the prohibition on a Credit Risk Security), (12) through (24) and (26) through (33) of the Eligibility Criteria at the time of acquisition thereof;

(5) that is rated "Ca" or "C" by Moody's or is rated "Caa3" by Moody's and is placed by Moody's on a watchlist for possible downgrade by Moody's or has no rating from Moody's but the Issuer has obtained a credit estimate from Moody's that such Collateral Debt Security has a Moody's Rating Factor of 10,000 or higher;

(6) that is rated "CC," "D" or "SD" or below (or has had its rating withdrawn) by Standard & Poor's and the definition of Rating will not apply for purposes of this clause;

(7) that is a Defaulted Synthetic Security;

(8) that is a Synthetic Security Counterparty Defaulted Obligation; or

(9) that is a Deliverable Obligation that would not satisfy paragraphs (1) through (4), (6) through (10) (except with respect to the prohibition on a Credit Risk Security), (12) through (24) and (26) through (33) of the Eligibility Criteria at the time such Deliverable Obligation is delivered to the Issuer.

The Collateral Manager shall be deemed to have knowledge only of information actually received by any portfolio manager employed by the Collateral Manager who performs portfolio management functions for the Issuer or by any credit analyst who performs credit analysis functions for such portfolio manager with respect to the Issuer. Notwithstanding the foregoing, the Collateral Manager may declare any Collateral Debt Security to be a Defaulted Security if, in the Collateral Manager's reasonable business judgment, the credit quality of the issuer of such Collateral Debt Security has significantly deteriorated such that there is a reasonable expectation of payment default. Nothing in this definition shall be deemed to require any employee (including any portfolio manager or credit analyst) of the Collateral Manager to obtain, use or share with or otherwise distribute to any other person or entity (a) any information that he or she would be prohibited from obtaining, using, sharing or otherwise distributing by

virtue of the Collateral Manager's internal policies relating to confidential communications or (b) material non-public information.

"Defaulted Synthetic Security" means (a) if such Synthetic Security is a Single Obligation Synthetic Security, any Synthetic Security as to which, if the related Reference Obligation were a Collateral Debt Security, such Reference Obligation would constitute a "Defaulted Security" under the definition thereof (other than any of paragraphs (7), (8) or (9) of such definition), (b) if such Synthetic Security references more than one Reference Obligation, more than one Reference Obligor or an index of Reference Obligations or Reference Obligors, does not provide that the Issuer has any (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after an initial payment thereunder, and the aggregate repayment obligation owing to the Issuer has been reduced by reason of the occurrence of one or more "credit events" or other similar circumstances, the aggregate amount of such reduction (to the extent that it is not already taken into account in the Principal Balance thereof) shall be a Defaulted Security and the remaining Principal Balance of such Synthetic Security shall not be a Defaulted Security, (c) if such Synthetic Security references more than one Reference Obligation, more than one Reference Obligor or an index of Reference Obligations or Reference Obligors and is a Defeased Synthetic Security, any Synthetic Security as to which the Issuer has become obligated to make one or more payments to the Synthetic Security Counterparty by reason of the occurrence of one or more "credit events" or other similar circumstances (in which event a portion of the Principal Balance equal to the maximum payment which the Issuer may be required to make by reason of such credit event shall be a Defaulted Security and the remaining Principal Balance thereof shall not be a Defaulted Security) and (d) any Single Obligation Synthetic Security as to which a Deliverable Obligation has become deliverable to the Issuer by reason of the occurrence of one or more "credit events" or other similar circumstances; *provided* that at such time (if ever) as a Deliverable Obligation is delivered in respect of such Synthetic Security, clause (9) of the definition of "Defaulted Security" will determine whether it is a Defaulted Security.

"Defaulted Synthetic Termination Payment" means, with respect to any Synthetic Security, any termination payment (and any accrued interest thereon) payable by the Issuer pursuant to the Underlying Instruments relating thereto as a result of an "Event of Default" or "Termination Event" (other than an "Illegality" or "Tax Event") as to which the relevant Synthetic Security Counterparty is the "Defaulting Party" or the sole "Affected Party" (each as defined in such Underlying Instruments). For the avoidance of doubt, any unpaid amounts owed to the Synthetic Security Counterparty independent of any such termination payment shall be deemed not to be part of the Defaulted Synthetic Termination Payment.

"Defeased Synthetic Security" means any Synthetic Security that requires payment by the Issuer after the date upon which it is pledged to the Trustee and that satisfies the following: (a) the Issuer has caused to be deposited in a Synthetic Security Counterparty Account an amount at least equal to the aggregate of (or the amount required under the terms of the Synthetic Security to provide for) all further payments (contingent or otherwise) that the Issuer is or may be required to make to the Synthetic Security Counterparty under the Synthetic Security; (b) the agreement relating to such Synthetic Security contains "non-petition" provisions with respect to the Issuer and "limited recourse" provisions limiting the Synthetic Security Counterparty's rights in respect of the Synthetic Security to the funds and other property credited

to the Synthetic Security Counterparty Account related to such Synthetic Security; and (c) the agreement relating to such Synthetic Security contains provisions to the effect that upon the occurrence of an "Event of Default" or "Termination Event" (other than an "Illegality" or "Tax Event"), if any, where the Synthetic Security Counterparty is the sole "Defaulting Party" or the sole "Affected Party" ("Event of Default," "Termination Event," "Illegality," "Tax Event," "Defaulting Party" or "Affected Party," as applicable, as such terms are defined in the ISDA Master Agreement relating to such Synthetic Security) (x) the Issuer may terminate its obligations under such Synthetic Security (other than with respect to any Defaulted Synthetic Termination Payments) and upon such termination and payment of any unpaid amounts payable under the Synthetic Security (other than any Defaulted Synthetic Termination Payment), any lien in favor of the Synthetic Security Counterparty over its related Synthetic Security Counterparty Account will be terminated and (y) upon payment of any Defaulted Synthetic Termination Payment payable under the Synthetic Security, the Issuer will no longer be obligated to make any payments to the Synthetic Security Counterparty with respect to such Synthetic Security.

"Deferred Termination Payment" means a termination payment due to an "event of default" as to which any Hedge Counterparty is the sole defaulting party or a "termination event" (other than "illegality" or "tax event" (as such terms are defined in the Hedge Agreement)) as to which the Hedge Counterparty is the sole "affected party" (with all such terms to have the definitions set forth in the Hedge Agreement).

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

"Determination Date" means the last day of each Due Period, or if such date is not a Business Day, the next succeeding Business Day.

"Discount Haircut Amount" means, with respect to any Discount Security, an amount equal to the greater of (a) zero and (b)(i) the principal amount or certificate balance of such Collateral Debt Security *minus* (ii) the cost to the Issuer (exclusive of accrued interest) of such Discount Security *minus* (iii) an amount equal to (A) all principal payments received by the Issuer with respect to such Discount Security *multiplied by* (B) a fraction the numerator of which is the cost to the Issuer (exclusive of accrued interest) and the denominator of which is the principal amount or certificate balance of such Discount Security at the time of the acquisition thereof by the Issuer.

"Discount Security" means a Collateral Debt Security purchased at a cost to the Issuer (exclusive of accrued interest) of: (x) if such Collateral Debt Security has a Moody's Rating of "Aa3" or higher at the time it is acquired by the Issuer, less than 92.0% of the principal amount thereof; *provided* that a Collateral Debt Security shall cease to constitute a "Discount Security" for purposes of this clause (x) if the fair market value thereof equals or exceeds 95.0% of its outstanding principal amount for 60 consecutive days following the initial valuation date on which such percentage was equaled or exceeded; and (y) for any Collateral Debt Security not described in clause (x), less than 75.0% of the principal amount thereof; *provided* that a Collateral Debt Security shall cease to constitute a "Discount Security" for purposes of this clause (y) if the fair market value thereof equals or exceeds 85.0% of its outstanding principal

amount for 60 consecutive days following the initial valuation date on which such percentage was equaled or exceeded.

"Equity Security" means (1) any security that does not entitle the holder thereof to receive periodic payments of interest and one or more installments of principal, unless it is an Asset Backed Security that is an Interest Only Security or a Principal Only Security, or (2) any class of a REMIC that is not a regular interest as defined in Section 860G(a)(1) of the Code.

"Excepted Property" means (a) the U.S.$250 of capital contributed by the owners of the Issuer's ordinary shares in accordance with the Issuer Charter and U.S.$250 representing a profit fee to the owners of the Issuer's ordinary shares, together with, in each case, any interest accruing thereon and the bank account in which such cash is held and (b) the membership interests of the Co-Issuer and any assets of the Co-Issuer.

"Incentive Management Fee" means the fee payable by the Issuer to the Collateral Manager (and/or as the Collateral Manager may designate from time to time) on any Quarterly Distribution Date equal to 50% of the sum of (a) the Interest Proceeds (if any) remaining after the payment of all amounts payable pursuant to clauses (1) through (18) of the Interest Proceeds Waterfall 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 (13) of the Principal Proceeds Waterfall on such Quarterly Distribution Date.

"Interest Distribution Amount" means, (1) with respect to any Class of Notes (other than the Class A-1 Notes) and any Quarterly Distribution Date, the sum of (a) the aggregate amount of interest accrued at the annual rate at which interest accrues on the Notes of such Class applicable for the 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 Amount of the Notes of such Class on the first day of such Interest Period (after giving effect to any redemption of the Notes of such Class or other payment of principal of the Notes of such Class on any preceding Quarterly Distribution Date) *plus* (b) any Defaulted Interest in respect of the Notes of such Class and accrued interest thereon and (2) with respect to Class A-1 Notes and any Distribution Date, the sum of (a) the aggregate amount of interest accrued at the annual rate at which interest accrues on such Class A-1 Notes applicable for the Interest Period relating to such Class A-1 Notes during the period from, and including, the immediately preceding Distribution Date to, but excluding, such Distribution Date, on the Aggregate Outstanding Amount of such Class A-1 Notes on the first day of the applicable Interest Period (after giving effect to any redemption of such Class A-1 Notes or other payment of principal of such Class A-1 Notes on any preceding Distribution Date) *plus* (b) any Defaulted Interest in respect of the Notes of such Class and accrued interest thereon.

"Interest Only Security" means any Collateral Debt Security that does not provide for the repayment of a stated principal amount in one or more installments.

"Interest Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (1) all payments of interest on the Collateral Debt Securities (other than interest on Defaulted Securities and on Written Down Amounts) received in cash by the Issuer during

such Due Period (excluding amounts required to be deposited into the Quarterly Interest Reserve Account); (2) all accrued interest received in cash by the Issuer during such Due Period with respect to Collateral Debt Securities sold by the Issuer (including Sale Proceeds or other recoveries received in respect of Defaulted Securities and Written Down Amounts in excess of the greater of the applicable portion of the original purchase price paid by the Issuer or the applicable par or face amount thereof); (3) all payments of interest (including any amount representing the accreted portion of a discount from the face amount of an investment) received in cash by the Issuer prior to the Distribution Date next following such Due Period on investments in any Account (except (i) interest on investments in any Synthetic Security Issuer Account; (ii) interest on investments in any Hedge Counterparty Collateral Account and (iii) interest on a security in a Synthetic Security Counterparty Account that is payable to the Synthetic Security Counterparty) and all payments of principal, including repayments, received in cash by the Issuer prior to the Distribution Date next following such Due Period on Eligible Investments purchased with amounts from the Interest Collection Account; (4) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in cash by the Issuer during such Due Period in connection with Collateral Debt Securities and Eligible Investments (other than fees and commissions received in respect of Defaulted Securities and Written Down Amounts and yield maintenance payments, in each case, included in Principal Proceeds pursuant to clause (5) or (7) of the definition thereof); (5) interest on securities credited to any Synthetic Security Counterparty Account that are otherwise not payable to a Synthetic Security Counterparty and all payments by a Synthetic Security Counterparty (including, for the avoidance of doubt, any fixed amounts and any interest shortfall reimbursement payment amounts) under a Synthetic Security other than Principal Shortfall Reimbursement Payments; (6) all amounts on deposit in the Expense Account, the Quarterly Interest Reserve Account and the Interest Reserve Account that are transferred to the Payment Account for application as Interest Proceeds as described below under "Security for the Notes—The Accounts"; (7) for the earlier of the first Distribution Date (unless there has been a Rating Confirmation Failure) and the first Distribution Date following a Rating Confirmation, Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the related Determination Date or the Ramp-Up Completion Date, as applicable, in an amount equal to the Interest Excess; and (8) all scheduled payments received pursuant to any Hedge Agreements (excluding any payments received by the Issuer by reason of an event of default or termination event or that are received as a result of any partial termination of such Hedge Agreement other than the portion thereof consisting of accrued scheduled payments) less any scheduled payments payable by the Issuer under such Hedge Agreement during such Due Period; *provided* that Interest Proceeds shall in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof or (ii) any Excepted Property. Payments received by or made by the Issuer under a Hedge Agreement or a Synthetic Security on or prior to a Distribution Date shall be deemed to have been received during the Due Period related to such Distribution Date.

"Majority" means with respect to any Class or Classes of Offered Securities, the holders of more than 50% of the Aggregate Outstanding Amount of such Class or Classes of Offered Securities; *provided* that (except for matters as to which the unanimous consent of all holders of the Class A-1B Notes is required under the transaction documents, assuming for this purpose, in the case of any limitation on voting rights with respect to a matter to adversely affected Noteholders, that each Noteholder is adversely affected), the holders of the Class A-1BV Notes will have a voting power equal to the Aggregate Outstanding Amount of the Class A-

1B Notes, and the holders of the Class A-1B1 Notes and the Class A-1B2 will have no voting power.

"Measurement Date" means any of the following: (a) the Ramp-Up Completion Date; (b) 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 a Written Down Security; (c) each Determination Date; (d) any date during the Reinvestment Period on which the Issuer acquires a Collateral Debt Security; and (e) with reasonable prior notice to the Issuer, the Collateral Manager and the Trustee, any other Business Day that any Rating Agency or holders of more than 50% of the Aggregate Outstanding Amount of any Class of Notes requests to be a "Measurement Date"; *provided* that if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the next succeeding day that is a Business Day.

"Monthly Asset Amount" means, with respect to (i) the first Distribution Date, the average of the Net Outstanding Portfolio Collateral Balance as of the first day and the last day of the related Due Period, and (ii) any other Distribution Date, the Net Outstanding Portfolio Collateral Balance as of the first day of the related Due Period.

"Negative Amortization Security" means a Residential Mortgage-Backed Security (a) the underlying collateral of which includes mortgage loans that provide for or permit the mortgage loan obligor for a specified period of time to make no payments of principal and to make payments of interest in amounts that are less than the interest payments that would otherwise be payable based upon the stated rate of interest thereon and (b) the Underlying Instruments of which provide (i) for principal proceeds to be applied to pay interest due and payable thereon, to the extent that interest proceeds are insufficient to pay such amount and (ii) for such unpaid interest to be capitalized as principal (which will commence accruing interest at the applicable interest rate) to the extent that the aggregate amount of interest proceeds and principal proceeds received in respect of the related underlying collateral are insufficient to pay such amount.

"Net Outstanding Portfolio Collateral Balance" means as of any Measurement Date, an amount equal to (a) the Aggregate Principal Balance as of such Measurement Date of all Pledged Collateral Debt Securities (other than Defaulted Securities) *plus* (b) 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) *plus* (c) for each Defaulted Security, the Calculation Amount with respect to such Defaulted Security. For purposes of the "Eligibility Criteria" and for certain other purposes specified in the Indenture, on or prior to the Ramp-Up Completion Date, the Net Outstanding Portfolio Collateral Balance will equal U.S.$4,984,700,000.

"Non-LIBOR Floating Rate Collateral Debt Security" means a Floating Rate Security that bears interest based upon a floating rate index for Dollar-denominated obligations other than the London interbank offered rate.

"Noteholders" means the Junior Noteholders and the Senior Noteholders.

"Other Administrative Expenses" means all Administrative Expenses but excluding Trustee Expenses (other than amounts payable pursuant to any indemnity).

"PIK Bond" means (i) any security that (or any Synthetic Security the Reference Obligation of which), pursuant to the terms of the related Underlying Instruments, permits the payment of interest thereon to be deferred or capitalized as additional principal thereof or that issues identical securities in place of payments of interest in cash and (ii) expressly provides that such deferral and/or capitalization does not constitute an event of default (however denominated) under such security or the related Underlying Instruments; *provided* that in no event will a Negative Amortization Security constitute a "PIK Bond" for purposes of this definition.

"Placement Agency Agreement" means the agreement dated as of the Closing Date among the Placement Agent and the Co-Issuers relating to the placement of the Notes.

"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.

"Principal Balance" or "par" means with respect to any pledged security or Collateral Debt Security, as of any date of determination, the outstanding principal amount or certificate balance of such pledged security or Collateral Debt Security; *provided* that:

(a) the Principal Balance of a Collateral Debt Security received upon acceptance of an Offer for another Collateral Debt Security, which Offer expressly states that failure to accept such Offer may result in a default under the Underlying Instruments, shall be deemed to be the Calculation Amount of such other Collateral Debt Security until such time as Interest Proceeds and Principal Proceeds, as applicable, are received when due with respect to such other Collateral Debt Security;

(b) the Principal Balance of any Synthetic Security shall be equal to (i) in the case of any Synthetic Security that does not provide that the Issuer has any (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after an initial payment thereunder, the aggregate principal amount of the Synthetic Security, (ii) in the case of any Defeased Synthetic Security, the notional amount thereof reduced by the amount of any payments due and payable to the Synthetic Security Counterparty by reason of the occurrence of one or more "credit events" or other similar circumstances to the extent such payments have not yet been made and (iii) in all other cases, the notional amount of the Synthetic Security;

(c) the Principal Balance of any Equity Security, unless otherwise expressly stated herein, shall be deemed to be zero;

(d) the Principal Balance of any Eligible Investment that does not pay cash interest on a current basis will be the lesser of par and the original issue price thereof;

(e) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with either Overcollateralization Test, (i) the Principal Balance

of any Written Down Security shall be its outstanding principal amount or certificate balance reduced by the Written Down Amount thereof (to the extent it has not already been taken into account in the calculation of its outstanding principal amount or certificate balance) and (ii) the Principal Balance of any Discount Security shall be its principal amount or certificate balance *minus* the Discount Haircut Amount; *provided* that if (in the case of either clause (i) or clause (ii), the principal amount or certificate balance of the applicable Collateral Debt Security is also subject to adjustment pursuant to clause (g) below, in the case of the Overcollateralization Tests, such Collateral Debt Security shall be reduced only pursuant to the clause of this definition of "Principal Balance" that, as of the applicable Determination Date, results in the lowest Principal Balance for that Collateral Debt Security for purposes of the Overcollateralization Tests;

(f) the Principal Balance of any Step-Up Bond shall not include accreted interest thereon; and

(g) solely for purposes of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Tests, if a Moody's Rating or Standard & Poor's Rating set forth in the table below is applicable to a Collateral Debt Security (other than a Defaulted Security or a Written Down Security), then the Principal Balance of such Collateral Debt Security shall be equal to its outstanding principal amount or certificate balance *multiplied by* the lower "Discount Percentage" opposite the Moody's Rating or Standard & Poor's Rating applicable to such Collateral Debt Security in the following table:

| Moody's Rating | Discount Percentage | Floor Percentage | Standard & Poor's Rating | Discount Percentage | Floor Percentage |
|---|---|---|---|---|---|
| Ba1, Ba2 or Ba3 | 90% | 0% | BB+, BB or BB- | 90% | 5% |
| B1, B2 or B3 | 80% | 0% | B+, B or B- | 80% | 5% |
| Below B3 | 50% | 0% | Below B- | 70% | 5% |

*provided* that:

(A) applicable Collateral Debt Securities having a Standard & Poor's Rating of below "BBB-" shall be excluded from the operation of the foregoing provision so long as the Aggregate Principal Balance of all such Collateral Debt Securities (determined without regard to the foregoing provision) does not exceed the Floor Percentage of the Net Outstanding Portfolio Collateral Balance (this Floor Percentage being satisfied first by the highest-rated Collateral Debt Securities having a Standard & Poor's Rating below "BBB-") and thereafter the Discount Percentage shall only be applied to the outstanding principal amount or certificate balance of such Collateral Debt Securities in excess of such Floor Percentage of the Net Outstanding Portfolio Collateral Balance;

(B) applicable Collateral Debt Securities having a Moody's Rating in any of the three rating categories shown in the table above shall be excluded from the operation of the foregoing provision so long as the Aggregate Principal Balance of all such Collateral Debt Securities (determined without regard to the foregoing provision)

does not exceed the Floor Percentage of the Net Outstanding Portfolio Collateral Balance for such rating category and thereafter the Discount Percentage shall only be applied to the outstanding principal amount or certificate balance of the applicable Collateral Debt Securities in such rating category in excess of such Floor Percentage of the Net Outstanding Portfolio Collateral Balance; and

(C) the ratings and the amounts of the Discount Percentages and the Floor Percentage with respect to Moody's or Standard & Poor's in the table above may be modified if the Rating Condition with respect to Moody's or Standard & Poor's, as applicable, has been satisfied.

"Principal Only Security" means any debt security that does not provide for the periodic payment of interest.

"Principal Proceeds" means with respect to any Due Period, the sum (without duplication) of: (1) any Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date (other than any such Uninvested Proceeds to be used to complete the purchase of Collateral Debt Securities for which commitments have been made during the Ramp-Up Period or any Interest Excess to be applied as Interest Proceeds); (2) all payments of principal of the Collateral Debt Securities received in cash by the Issuer during such Due Period including prepayments or mandatory sinking fund payments, or payments in respect of optional redemptions, exchange offers, tender offers, recoveries on Defaulted Securities and Written Down Amounts (but only to the extent of the greater of (x) par or face amount of such securities and (y) the original purchase price paid by the Issuer for such securities), the proceeds of a sale of any Equity Security and any amounts received as a result of optional redemptions, exchange offers, tender offers for any Equity Security received in cash by the Issuer during such Due Period; (3) Sale Proceeds received in cash by the Issuer during such Due Period (including those received as a result of the sale of any Defaulted Security, but excluding those included in Interest Proceeds as defined above) and any amounts (other than investment income) released from a Synthetic Security Counterparty Account (including termination payments made by the Synthetic Security Counterparty other than "Unpaid Amounts" as defined in the applicable Synthetic Security); (4) all payments of principal received in cash by the Issuer prior to the Distribution Date next following such Due Period on Eligible Investments purchased with amounts from the Principal Collection Account or Uninvested Proceeds Account (excluding any amount representing the accreted portion of a discount from the face amount of an Eligible Investment); (5) all amendment, waiver, late payment fees and other fees and commissions, received in cash by the Issuer during such Due Period in respect of Defaulted Securities and Written Down Amounts (but only to the extent of par or face amount of such securities); (6) all payments received in cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums; (7) yield maintenance payments received in cash by the Issuer during such Due Period; (8) all scheduled payments of interest on Defaulted Securities and Written Down Amounts received in cash by the Issuer during such Due Period and any other payments in respect thereof not addressed in clauses (1) through (7) above received in cash by the Issuer during such Due Period (but only to the extent of par or face amount of such securities); (9) any proceeds resulting from the termination and liquidation of any Hedge Agreement (other than the portion thereof constituting accrued scheduled payments), to the extent such proceeds exceed the cost of entering into a replacement Hedge Agreement in accordance with the requirements set

forth in the Indenture; (10) all payments of interest received in cash by the Issuer during such Due Period to the extent that they represent accrued interest purchased during the Reinvestment Period with Principal Proceeds; and (11) all other payments received by the Issuer in such Due Period in connection with the Collateral Debt Securities and Eligible Investments (other than those standing to the credit of any Hedge Counterparty Collateral Account, Synthetic Security Issuer Account or Synthetic Security Counterparty Account) that are not included in Interest Proceeds (including, for the avoidance of doubt, any Principal Shortfall Reimbursement Payments under a Synthetic Security); *provided* that in no event will Principal Proceeds include any Excepted Property.

"Quarterly Asset Amount" means with respect to any Quarterly Distribution Date, the Net Outstanding Portfolio Collateral Balance on the first day of the related Due Period.

"Rating Agency Expenses" means, with respect to any Distribution Date, all amounts due or accrued with respect to such Distribution Date and payable by the Issuer or the Co-Issuer to the Rating Agencies for fees and expenses in connection with any rating (including the annual fee and any surveillance fees payable with respect to the monitoring of any rating and any credit estimate fees and amendment fees) of the Notes, including fees and expenses due or accrued in connection with any rating of the Collateral Debt Securities not payable by the issuer thereof.

"Subordinate Management Fee" means the fee payable to or at the direction of the Collateral Manager in arrears on each Quarterly Distribution Date pursuant to the Collateral Management Agreement, in an amount equal to 0.05% *per annum* of the Average 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(s) to the extent funds are available for such purpose in accordance with the Priority of Payments until paid in full and such unpaid fee shall not accrue interest.

"SupraMajority" means with respect to any Class of Offered Securities, the holders of $66^{2}/_{3}$% of the Aggregate Outstanding Amount of such Class of Offered Securities; *provided* that (except for matters as to which the unanimous consent of all holders of the Class A-1B Notes is required under the transaction documents, assuming for this purpose, in the case of any limitation on voting rights with respect to a matter to adversely affected Noteholders, that each Noteholder is adversely affected), the holders of the Class A-1BV Notes will have a voting power equal to the Aggregate Outstanding Amount of the Class A-1B Notes, and the holders of the Class A-1B1 Notes and Class A-1B2 Notes will have no voting power.

"Synthetic Security Counterparty Defaulted Obligation" means with respect to any Synthetic Security (a) (i) the long-term debt obligations of the relevant Synthetic Security Counterparty are rated "D" or "SD" by Standard & Poor's or "Ca" or lower by Moody's, or (ii) the rating of the relevant Synthetic Security Counterparty by Standard & Poor's or by Moody's is withdrawn for reasons relating to the credit quality of such Synthetic Security Counterparty;

*provided* that, notwithstanding the foregoing, if at any time after such withdrawal or reduction such Synthetic Security is a Defeased Synthetic Security under which the Synthetic Security Counterparty shall provide periodically (and in no event less frequently than monthly) collateral to or for the benefit of the Issuer with a value (together with all other collateral previously transferred) equal to or greater than any termination payment that would then be due to the Issuer upon the termination of such credit default swap, such Synthetic Security shall be deemed not to be a Synthetic Security Counterparty Defaulted Obligation; or (b) the Synthetic Security Counterparty has defaulted in the performance of any of its payment or delivery obligations under the Synthetic Security.

"Trustee Expenses" means with respect to any Distribution Date, all expenses and indemnified amounts (other than fees) due or accrued with respect to such Distribution Date and payable by the Issuer or the Co-Issuer to (i) the Senior Note Registrar, the Trustee or any co-trustee appointed pursuant to the Indenture, (ii) the Collateral Administrator pursuant to the Collateral Administration Agreement, (iii) the Junior Note Registrar, the Fiscal Agent or any co-Fiscal Agent appointed pursuant to the Fiscal Agency Agreement and (iv) the Custodian pursuant to the Account Control Agreement.

"Trustee Fee" means the fee payable, in accordance with the Priority of Payments, to LaSalle Bank National Association, in its capacities (or any successor to it in such capacities) as (i) Senior Note Registrar and Trustee under the Indenture, (ii) Collateral Administrator under the Collateral Administration Agreement, (iii) Custodian under the Account Control Agreement and (iv) Junior Note Registrar and Fiscal Agent under the Fiscal Agency Agreement in an amount, for (i), (ii), (iii) and (iv) above combined, equal to, for each Distribution Date, 0.0025% *per annum* of the Monthly Asset Amount for the related Due Period, subject to a minimum annual fee of U.S.$25,000.

"Underlying Instruments" means the indenture or other agreement pursuant to which a Collateral Debt Security, Eligible Investment or Equity Security has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Collateral Debt Security, Eligible Investment or Equity Security or of which holders of such Collateral Debt Security, Eligible Investment or Equity Security are the beneficiaries.

"Uninvested Proceeds" means at any time, the net proceeds received by the Issuer on the Closing Date from the initial issuance of the Notes, to the extent such proceeds (a have not been deposited in the Expense Account or the Interest Reserve Account, (b) are not subject to a commitment to invest, or have not been invested in, Collateral Debt Securities, in each case in accordance with the Indenture or (c) have not been deposited in a Synthetic Security Counterparty Account.

"Written Down Amount" means, as of any date of determination with respect to any Written Down Security, the pro rata share for such Written Down Security (based on its principal amount relative to the aggregate principal amount of all other securities secured by the same pool of collateral that rank *pari passu* with such Collateral Debt Security) of the excess of the aggregate par amount of such Collateral Debt Security and all other securities secured by the same pool of collateral that rank *pari passu* with or senior in priority of payment to such Collateral Debt Security over the aggregate par amount (including reserved interest or other

amounts available for overcollateralization) of all collateral securing such securities (excluding defaulted collateral that has been charged off), as determined by the Collateral Manager using customary procedures and information available in the servicer reports received by the Trustee relating to such Written Down Security. Interest and other distributions on a Written Down Security shall be allocated between the Written Down Amount and the remaining Principal Balance in the manner provided in the Underlying Instruments and the servicer reports received by the Trustee relating to such Written Down Security or, if no such allocation is provided therein, shall be allocated pro rata between such Written Down Amount and such Principal Balance, and in each case the Trustee may request (and rely on) information regarding such allocation provided by the Collateral Manager.

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

**The Coverage Tests**

The Coverage Tests applicable to a Class of Notes will be used to determine whether and to what extent Interest Proceeds may be used to pay amounts payable to each Class of Notes Subordinate to such Class, and certain other fees and expenses (including the Subordinate Management Fee and the Incentive Management Fee). In addition, the Coverage Tests may operate to limit the amount of Principal Proceeds available to reinvest in substitute Collateral Debt Securities during the Reinvestment Period.

The "Coverage Tests" consist of the Class A/B Overcollateralization Test, the Class C Overcollateralization Test, the Class A/B Interest Coverage Test and the Class C Interest Coverage Test.

Each of the Class A/B Overcollateralization Test and the Class C Overcollateralization Test is referred to herein as an "Overcollateralization Test." The Class A/B Overcollateralization Test and the Class C Overcollateralization Test are collectively referred to herein as the "Overcollateralization Tests."

Each of the Class A/B Interest Coverage Test and the Class C Interest Coverage Test is referred to herein as an "Interest Coverage Test." The Class A/B Interest Coverage Test and the Class C Interest Coverage Test are collectively referred to herein as the "Interest Coverage Tests."

The Class A/B Overcollateralization Test and the Class A/B Interest Coverage Test are collectively referred to herein as the "Class A/B Coverage Tests." The Class C Overcollateralization Test and the Class C Interest Coverage Test are collectively referred to herein as the "Class C Coverage Tests."

The Overcollateralization Tests will not apply prior to the Ramp-Up Completion Date. The Interest Coverage Tests will not apply prior to the first Quarterly Distribution Date following the Ramp-Up Completion Date. Satisfaction of the Interest Coverage Tests will not be required in order to obtain a Rating Confirmation or Deemed Confirmation.

In the event that a Class A/B Coverage Test is not satisfied, Interest Proceeds that would otherwise be used to pay interest on the Class C Notes, interest and principal on the Class X Notes and certain fees and expenses must instead be used to pay principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority) pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes and *third*, the Class B Notes, to the extent necessary to cause such Class A/B Coverage Test to be satisfied. In addition, during the Reinvestment Period, if a Class A/B Coverage Test is not satisfied and Uninvested Proceeds and Interest Proceeds are insufficient to cure such Class A/B Coverage Test, Principal Proceeds that would otherwise be available to reinvest in substitute Collateral Debt Securities must instead be applied to pay principal of the Notes in the order specified in the preceding sentence.

In the event that a Class C Coverage Test is not satisfied, Interest Proceeds that would otherwise be used to pay certain fees and expenses must instead be used to pay principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority) pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth* (solely in the case of the Class C Interest Coverage Test) the Class X Notes, and *fifth*, the Class C Notes, to the extent necessary to cause such Class C Coverage Test to be satisfied. In addition, during the Reinvestment Period, if a Class C Coverage Test is not satisfied and Uninvested Proceeds and Interest Proceeds are insufficient to cure such Class C Coverage Test, Principal Proceeds that would otherwise be available to reinvest in substitute Collateral Debt Securities must instead be applied to pay principal of the Notes in the order specified in the preceding sentence.

For purposes of determining any payment to be made on any Quarterly Distribution Date pursuant to any applicable clause of "Priority of Payments—Interest Proceeds," any Coverage Test referred to in such clause will 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 the Interest Proceeds Waterfall.

For purposes of determining any payment to be made on any Quarterly Distribution Date pursuant to any applicable clause of "Priority of Payments—Principal Proceeds," any Coverage Test referred to in such clause will be calculated as of the relevant Quarterly Distribution Date after giving effect to all payments to be made on such Quarterly Distribution Date out of Uninvested Proceeds, Interest Proceeds and Principal Proceeds prior to such payment in accordance with the Interest Proceeds Waterfall and the Principal Proceeds Waterfall.

The Class A/B Overcollateralization Test

The "Class A/B Overcollateralization Test," for so long as any Class A-1 Notes, Class A-2 Notes or Class B Notes remain outstanding, will be satisfied on any Measurement

Date occurring on or after the Ramp-Up Completion Date if the Class A/B Overcollateralization Ratio on such Measurement Date is equal to or greater than 100.48%.

The "Class A/B Overcollateralization Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by *dividing* (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date *by* (b) the sum of (i) the Aggregate Outstanding Amount of the Class A-1 Notes *plus* (ii) the Aggregate Outstanding Amount of the Class A-2 Notes *plus* (iii) the Aggregate Outstanding Amount of the Class B Notes. For purposes of the Class A/B Overcollateralization Test, 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.

The Class C Overcollateralization Test

The "Class C Overcollateralization Test," for so long as any Class A-1 Notes, Class A-2 Notes, Class B Notes, Class X Notes or Class C Notes are outstanding, will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class C Overcollateralization Ratio on such Measurement Date is equal to or greater than 100.07%.

The "Class C Overcollateralization Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by *dividing* (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date *by* (b) the sum of (i) the Aggregate Outstanding Amount of the Class A-1 Notes *plus* (ii) the Aggregate Outstanding Amount of the Class A-2 Notes *plus* (iii) the Aggregate Outstanding Amount of the Class B Notes *plus* (iv) the Aggregate Outstanding Amount of the Class C Notes. For purposes of the Class C Overcollateralization Test, 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.

The Class A/B Interest Coverage Test

The "Class A/B Interest Coverage Test" for so long as any Class A-1 Notes, Class A-2 Notes or Class B Notes remain outstanding, will be satisfied on any Measurement Date occurring on or after the first Quarterly Distribution Date following the Ramp-Up Completion Date if the Class A/B Interest Coverage Ratio on such Measurement Date is equal to or greater than 100.50%.

The "Class A/B Interest Coverage Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by *dividing* (i) the Interest Coverage Amount for the Due Period in which such Measurement Date occurs *by* (ii) the scheduled interest on the Class A-1 Notes, the Class A-2 Notes and the Class B Notes (including any Defaulted Interest thereon and any accrued interest on such Defaulted Interest) payable on the Distribution Date immediately following such Measurement Date. For purposes of the Class A/B Interest Coverage Test, 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.

The "Interest Coverage Amount" with respect to any Measurement Date is the excess of (x) the sum of (i) all scheduled interest payments due to the Issuer (regardless of whether the applicable due date has yet occurred in the Due Period) (a) in the Due Period in which such Measurement Date occurs on the Pledged Collateral Debt Securities (other than interest on Defaulted Securities and on Written Down Securities) and (b) prior to the Distribution Date related to such Due Period on investments held in the Accounts (other than interest on investments in a Hedge Counterparty Account or a Synthetic Security Issuer Account and interest on investments in a Synthetic Security Counterparty Account that is payable to the related Synthetic Security Counterparty), in each case, whether such investments were purchased with Interest Proceeds or Principal Proceeds (including any scheduled payments of principal due prior to the Distribution Date related to such Due Period on Eligible Investments purchased with amounts from the Interest Collection Account); (ii) any fees actually received by the Issuer during such Due Period that constitute Interest Proceeds; (iii) all amounts scheduled to be paid to the Issuer under the Synthetic Securities prior to the Distribution Date related to such Due Period (including, for the avoidance of doubt, any fixed amounts and any interest shortfall reimbursement payment amounts, but excluding any Principal Shortfall Reimbursement Payments); (iv) all amounts scheduled to be paid to the Issuer under the Hedge Agreements prior to the Distribution Date related to such Due Period; (v) the amounts, if any, in the Interest Reserve Account and the Quarterly Interest Reserve Account; and (vi) the amounts, if any, in the Expense Account to be transferred to the Payment Account prior to the Distribution Date related to such Due Period; and; over (y) the amounts scheduled to be paid on the Distribution Date related to such Due Period pursuant to clauses (1) through (3) of the Interest Proceeds Waterfall.

The Class C Interest Coverage Test

The "Class C Interest Coverage Test" for so long as any Class A-1 Notes, Class A-2 Notes, Class B Notes, Class X Notes or Class C Notes remain outstanding, will be satisfied on any Measurement Date occurring on or after the first Quarterly Distribution Date following the Ramp-Up Completion Date if the Class C Interest Coverage Ratio on such Measurement Date is equal to or greater than 100.01%.

The "Class C Interest Coverage Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (i) the Interest Coverage Amount for the Due Period in which such Measurement Date occurs by (ii) the scheduled interest on the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class X Notes and the Class C Notes (including any Defaulted Interest thereon and any accrued interest on such Defaulted Interest and including any interest on any Class X Deferred Interest Amount and Class C Deferred Interest Amount but excluding any Class X Deferred Interest Amount and Class C Deferred Interest Amount) payable on the Distribution Date immediately following such Measurement Date.

**Form, Denomination, Registration and Transfer**

General

(i) Regulation S Notes, which will be sold to persons that are not U.S. Persons in offshore transactions in accordance with Regulation S, will be represented by one or

more permanent Regulation S Global Notes in definitive, fully registered form, without interest coupons, and deposited with the Trustee (in the case of the Senior Notes) or the Fiscal Agent (in the case of the Junior Notes) as custodian for, and registered in the name of, The Depository Trust Company ("DTC") or its nominee, initially for the accounts of Euroclear and Clearstream, Luxembourg. By acquisition of a beneficial interest in a Regulation S Global Note, any purchaser thereof will be deemed to represent that it is not a U.S. Person and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest only to a person that is not a U.S. Person in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Note. Beneficial interests in each Regulation S Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants, including Euroclear and Clearstream, Luxembourg.

(ii) Restricted Notes, which will be offered in the United States in reliance upon an exemption from the registration requirements of the Securities Act, will, except for the Class C Notes, be represented by one or more Restricted Global Notes in fully registered form, without interest coupons, and deposited with the Trustee (in the case of the Senior Notes) or the Fiscal Agent (in the case of the Junior Notes) as custodian for, and registered in the name of, DTC or its nominee. Interests in Restricted Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants.

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

(iv) Owners of beneficial interests in Regulation S Global Notes and Restricted Global Notes will be entitled or required, as the case may be, under certain limited circumstances described below, to receive physical delivery of certificated Notes ("Definitive Notes") in fully registered, definitive form. No owner of an interest in a Regulation S Global Note will be entitled to receive a Definitive Note unless (1) for a person other than a distributor (as defined in Regulation S), such person provides certification (among other things) that the Definitive Note is beneficially owned by a person that is not a U.S. Person (as defined in Regulation S) or (2) for a person that is a U.S. Person, such person provides certification (among other things) that any interest in such Definitive Note was purchased in a transaction that did not require registration under the Securities Act. The Notes are not issuable in bearer form.

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

(vi) Pursuant to the Fiscal Agency Agreement, LaSalle Bank National Association will be appointed and will serve as the registrar with respect to the Junior Notes (in such capacity, the "Junior Note Registrar") and will provide for the registration of Junior Notes and the registration of transfers of Junior Notes in the register maintained by it (the "Junior Note Register"). LaSalle Bank National Association will be appointed as a transfer agent with respect to the Junior Notes (in such capacity, the "Junior Note Transfer Agent").

(vii) The Senior Notes will be issuable in minimum denominations of U.S.$100,000 and will be offered only in such minimum denominations or integral multiples of U.S.$1,000 in excess thereof. The Junior Notes will be issuable in minimum denominations of U.S.$250,000 and will be offered only in such minimum denominations or integral multiples of U.S.$1,000 in excess thereof.

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

(ix) After issuance, Class X Notes and Class C 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 X Deferred Interest Amount and Class C Deferred Interest Amount, respectively.

Global Notes

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

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

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

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

Definitive Notes

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

Restricted Definitive Class C Notes

Class C Notes that are sold or transferred to a U.S. Person or in the United States in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof must be represented by certificates in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof (or the nominee of a disclosed legal and beneficial owner).

Transfer and Exchange of Notes

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

(ii) *Regulation S Global Note to Regulation S Global Note*. An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification; *provided* that (1) such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures and (2) any transfer not effected in an offshore transaction in accordance with Rule 904 of Regulation S may be made only upon provision, in the case of an interest in a Senior Note, to the Trustee, the Co-Issuers and the Senior Note Registrar of written certification from the transferee and transferor in the form provided for in the Indenture or, in the case of a Junior Note, to the Fiscal Agent, the Issuer and the Junior Note Registrar of written certification from the transferee and transferor in the form provided for in the Fiscal Agency Agreement.

(iii) *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 in accordance with the Applicable Procedures and upon receipt by, in the case of a Senior Note, the Senior Note Registrar of written certification from the transferor and the transferee in the form provided in the Indenture or, in the case of a Junior Note, the Junior Note Registrar of written certification from the transferor and the transferee in the form provided in the Fiscal Agency Agreement, in either case to the effect that such transfer is being made in an offshore

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

(iv) *Restricted Global Note to Restricted Global Note*. An owner of a beneficial interest in a Note in the form of 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 such Restricted Global Note without the provision of written certification if the transferee is a Qualified Institutional Buyer and a Qualified Purchaser.

(v) *Regulation S Global Class C Note to Restricted Definitive Class C Note*. Transfers by a holder of a beneficial interest in a Regulation S Global Class C Note to a transferee who takes delivery of a Restricted Definitive Class C Note will be made (a) only in accordance with the Applicable Procedures and (b) upon receipt by the Junior Note Registrar of written certifications from each of the transferor and the transferee of such beneficial interest in the form provided in the Fiscal Agency Agreement to the effect that, among other things, such transfer is being made (a) to a person whom the transferor reasonably believes is (x) a Qualified Institution Buyer to whom notice is given that the transfer is being made in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act and (y) to a Qualified Purchaser and (b) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and from the transferee in the form provided for in the Fiscal Agency Agreement

(vi) *Restricted Definitive Class C Note to Regulation S Global Class C Note*. Transfers or exchanges by a holder of a Restricted Definitive Class C Note to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Class C Note will be made only (a) in accordance with the Applicable Procedures and (b) upon receipt by the Junior Note Registrar of written certification from each of the transferor and transferee in the form provided in the Fiscal Agency Agreement to the effect that, among other things, such transfer is being made in an offshore transaction as required by Regulation S to a transferee that is not U.S. Person or for the account or benefit of a transferee that is not a U.S. Person.

(vii) *Restricted Definitive Class C Note to Restricted Definitive Class C Note*. Restricted Definitive Class C Notes may be exchanged or transferred in whole or in part in amounts not less that the applicable minimum denomination by surrendering such Restricted Definitive Class C Notes at the office of the Junior Note Registrar with a written instrument of transfer and written certification from each of the transferor and the transferee in the form provided in the Fiscal Agency Agreement to the effect that, among other things, the transferee (i)(x) is a Qualified Institutional Buyer or (y) is entitled to take delivery of such Restricted

Definitive Class C Note pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act), (b) is a Qualified Purchaser and (c) except as otherwise provided herein with respect to Restricted Definitive Class C Notes, is not a Benefit Plan Investor or a Controlling Person. With respect to any transfer of a portion of Definitive Class C Notes, the transferor will be entitled to receive new Restricted Definitive Class C Notes representing the principal amount retained by the transferor after giving effect to such transfer. Restricted Definitive Class C Notes issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the transfer agent with respect to the Junior Notes. Restricted Definitive Class C Notes issued upon any exchange or registration of transfer of securities shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits, as the Restricted Definitive Class C Notes surrendered upon exchange or registration of transfer.

(viii) *Transfers between DTC Participants*. Transfers between Participants in DTC will be effected in the ordinary way in accordance with the Applicable Procedures and will be settled in immediately available funds. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

(ix) *Transfers of Definitive Notes*. Notes in the form of 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 any Senior Note Transfer Agent (in the case of a Senior Note) or Junior Note Transfer Agent (in the case of a Junior Note) with a written instrument of transfer as provided, in the case of a Senior Note, in the Indenture or, in the case of a Junior Note, in the Fiscal Agency Agreement. In addition, if the Definitive Notes being exchanged or transferred contain a Legend, additional certifications to the effect that such exchange or transfer is in compliance with the restrictions contained in such Legend, may be required. With respect to any transfer of a portion of a Definitive Note, the transferor will be entitled to receive, at any aforesaid office, 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 Senior Note Transfer Agent or the Junior Note Transfer Agent, as applicable. 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.

(x) *No Service Charges*. No service charge will be made for exchange or registration of transfer of any Note but the Trustee (in the case of a Senior Note) or the Fiscal Agent (in the case of a Junior Note) 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.

(xi) *Note Registrar*. The Senior Note Registrar will effect transfers of Global Notes that are Senior Notes and, along with the Senior Note Transfer Agent, will effect exchanges and transfers of Definitive Notes that are Senior Notes. In addition, the Senior Note

Registrar will keep in the Senior Note Register records of the ownership, exchange and transfer of any Senior Note in definitive form. The Junior Note Registrar will effect transfers of Global Notes that are Junior Notes and, along with the Junior Note Transfer Agent, will effect exchanges and transfers of Definitive Notes that are Junior Notes. In addition, the Junior Note Registrar will keep in the Junior Note Register records of the ownership, exchange and transfer of any Junior Note in definitive form.

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

(xiii) *DTC, Euroclear and Clearstream; Cross-Market Transfers of Global Notes*. Subject to compliance with the transfer restrictions applicable to the Notes described above and under "Transfer Restrictions," cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, Luxembourg, as the case may be, will if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in a Regulation S Global Note in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg participants and Euroclear participants may not deliver instructions directly to the depositaries of Euroclear or Clearstream, Luxembourg.

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

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

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").

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

(xiv) *USA Patriot Act*. The Issuer may impose additional transfer restrictions to comply with the USA PATRIOT Act, to the extent it is applicable to the Issuer and, in such event, each holder of Notes will be required to comply with such transfer restrictions.

(xv) *ERISA Restrictions*. No holder of an ERISA-Restricted Note or a beneficial interest in a Regulation S Global Class C Note may be a Benefit Plan Investor (or in the case of a Regulation S Global Class C Note, a Controlling Person). Each Original Purchaser and each transferee of a beneficial interest in an ERISA Restricted Note or a Regulation S Global Class C Note will be deemed to represent and warrant, to the effect that it is not a Benefit Plan Investor (or, in the case of a Regulation S Global Class C Note, a Controlling Person).

(xvi) *Forced Sale Provisions*. The Indenture provides, with respect to a Senior Note, and the Fiscal Agency Agreement provides, with respect to a Junior Note, that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers (or, in the case of a Junior Note, the Issuer) determines that any beneficial owner or holder of (A) a Regulation S Note (or any interest therein) is a U.S. Person or (B) a Restricted Note (or any interest therein) is not a Qualified Institutional Buyer and also a Qualified Purchaser, then either of the Co-Issuers (or, in the case of a Junior Note, the Issuer) shall require, by notice to such beneficial owner or holder, as the case may be, that such beneficial owner or holder sell all of its right, title and interest to such Restricted Note (or any interest therein) to a person that (1) in the case of a person holding its interest through a Regulation S Note, is not a U.S. Person or (2) in the case of a person holding or holding its interest through a Restricted Note, is both (I) a Qualified Institutional Buyer or, in the case of a Class C Note, an Accredited Investor and (II) a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner or holder fails to effect the transfer required

within such 30-day period, (i) upon written direction from the Collateral Manager or the Issuer, the Trustee (in the case of the Senior Notes) or the Fiscal Agent (in the case of the Junior Notes), on behalf of and at the expense of the Issuer, shall, and is hereby irrevocably authorized by such beneficial owner or holder to, cause such beneficial owner's or holder's interest in such Note to be transferred in a commercially reasonable sale (conducted by an investment bank selected by the Trustee or the Fiscal Agent (as applicable) and approved by the Issuer in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee (in the case of the Senior Notes) or the Fiscal Agent (in the case of the Junior Notes) and the Co-Issuers (or, in the case of a Junior Note, the Issuer), in connection with such transfer, that such person (x) is not a U.S. Person (in the case of a person holding its interest through a Regulation S Note) or (y) is both (1) a Qualified Institutional Buyer or, in the case of a Class C Note, an Accredited Investor and (2) a Qualified Purchaser (in the case of a person holding its interest through a Restricted Note) and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner or holder and such Note shall be deemed not to be outstanding for the purpose of any vote or consent of the Noteholders.

The Indenture or the Fiscal Agency Agreement, as applicable, provide, with respect to an ERISA-Restricted Note, that if, notwithstanding the restrictions contained therein, the Issuer determines that a Benefit Plan Investor, including for this purpose, an insurance company general account any of the underlying assets of which constitute "plan assets" under Section 401(c) of ERISA (and a wholly owned subsidiary of such a general account) purchased an ERISA-Restricted Note, the Issuer (or the Collateral Manager on its behalf) shall require, by notice to such Benefit Plan Investor, that such Benefit Plan Investor sell all of its right, title and interest in or to such ERISA-Restricted Note in accordance with the Indenture or the Fiscal Agency Agreement, as applicable, with such sale to be effected within 30 days after notice of such sale requirement is given. If such Benefit Plan Investor fails to effect the transfer required within such 30-day period, (x) upon written direction from the Collateral Manager or the Issuer, the Trustee or the Fiscal Agent, as applicable, shall, and is hereby irrevocably authorized by such Benefit Plan Investor or insurance company to, cause its interest in such ERISA-Restricted Note to be transferred in a commercially reasonable sale arranged by the Collateral Manager (conducted by an investment bank selected by the Trustee or the Fiscal Agent, as applicable, in accordance with section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee, the Issuer and the Collateral Manager, in connection with such transfer, that such person satisfies the requirements for a purchaser of an ERISA-Restricted Note pursuant to the Indenture and (y) pending such transfer, no further payments will be made in respect of such ERISA-Restricted Note and such ERISA-Restricted Note shall not be deemed to be outstanding for the purpose of any vote or consent of the Noteholders.

With respect to a Class C Note, the Fiscal Agency Agreement provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that (i) any beneficial owner or holder of a Regulation S Global Class C Note or an interest therein is a Benefit Plan Investor or a Controlling Person, (ii) an Original Purchaser of a Class C Note or an interest therein or a subsequent transferee of a Restricted Definitive Class C Note that is a

Benefit Plan Investor or a Controlling Person did not disclose in an Investor Application Form or a transfer certificate in the form attached to the Fiscal Agency Agreement delivered to the Issuer at the time of its acquisition of such Class C Note or beneficial interest in such Class C Note that it is a Benefit Plan Investor or a Controlling Person (or, in the case of Regulation S Global Class C Notes, represented that it was not a Benefit Plan Investor or a Controlling Person but actually was a Benefit Plan Investor or a Controlling Person), (iii) subsequent to the purchase of a Class C Note, any beneficial owner becomes a Benefit Plan Investor (including for this purpose an insurance company general account any of the underlying assets of which constitute "plan assets" under Section 401(c) of ERISA or a wholly owned subsidiary of such general account) or a Controlling Person or (iv) as a result of the purchase or transfer of a Class C Note or interest therein, 25% (or such greater percentage as may be specified in regulations promulgated by the U.S. Department of Labor) or more of the Class C Notes are held by Benefit Plan Investors (determined after disregarding the Class C Notes held by Controlling Persons), then the Issuer shall require, by notice to such beneficial owner, that such beneficial owner sell all of its right, title and interest in or to such Class C Notes (or interest therein) to a Person that is (1) in the case of a person holding Restricted Definitive Class C Notes (A)(x) a Qualified Institutional Buyer or (y) entitled to take delivery of such Restricted Definitive Class C Note pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act), (B) a Qualified Purchaser and (C) not a Benefit Plan Investor or a Controlling Person or (2) in the case of a person holding its interest through a Regulation S Global Class C Note or a person holding Regulation S Definitive Class C Notes, neither (A) a U.S. Person nor (B) a Benefit Plan Investor or a Controlling Person, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner or holder fails to effect the transfer required within such 30-day period, (I) upon written direction from the Collateral Manager or the Issuer, the Fiscal Agent (on behalf of and at the expense of the Issuer) shall, and is hereby irrevocably authorized by such holder to, cause such beneficial owner's or holder's interest in such Class C Notes to be transferred to a person that is eligible to own such Class C Note and (II) pending such transfer, no payments will be made on such Class C Notes from the date notice of the sale requirement is sent to the date on which such Class C Notes from the date notice of the sale requirement is sent to the date on which such Class C Notes are sold and such Class C Notes shall be deemed not to be outstanding for the purpose of any vote, consent or direction of the holders of the Class C Notes and shall not be taken into account for the purposes of calculating any quorum or majority requirements relating thereto. The reference in the first sentence of this paragraph to a change in a Benefit Plan Investor's status or a Controlling Person's status shall be deemed to include, any increase in the percentage of "plan assets" above the percentage specified in the questionnaire submitted with the relevant Investor Application Form, or a transfer certificate in the form attached to the Fiscal Agency Agreement.

**No Gross-Up**

All payments made by the Issuer under the Notes will be made without any deduction or withholding for or on the account of any tax unless such deduction or withholding is required by applicable law, as modified by the practice of any relevant governmental revenue

authority, then in effect. If the Issuer is so required to deduct or withhold, then the Issuer will not be obligated to pay any additional amounts in respect of such withholding or deduction.

**The Indenture**

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

Indenture Events of Default

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

(i) a default in the payment of any accrued interest (a) on any Class A-1 Note or Class A-2 Note when the same becomes due and payable or (b) on any Class B Note when the same becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent with respect to the Senior Notes or the Senior Note Registrar, such default continues for a period of five Business Days);

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

(iii) the failure on any Distribution Date to disburse amounts available in the Interest Collection Account or Principal Collection Account in accordance with the order of priority set forth above under "—Priority of Payments" (other than a default in payment described in clause (i) or (ii) above), which failure continues for a period of 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 with respect to the Senior Notes or the Senior Note Registrar, such default continues for a period of five Business Days) after any of the Issuer, the Co-Issuer or the Collateral Manager has actual knowledge thereof or after notice thereof has been given (x) to the Issuer and the Collateral Manager by the Trustee, (y) to the Issuer and the Trustee by the Collateral Manager or (z) to the Issuer, the Collateral Manager and the Trustee by the holders of at least 25% in Aggregate Outstanding Amount of Notes of the Controlling Class or by a Hedge Counterparty, in each case specifying such default or breach and requiring it to be remedied and stating that it is a "notice of default" under the Indenture;

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

(v) a default in the performance, or breach, of any other covenant or other agreement (it being understood that a failure to satisfy a Collateral Quality Test, a Coverage Test, the Standard & Poor's CDO Monitor Test or the Eligibility Criteria, or a failure to obtain the prior written approval of the Controlling Party prior to investment in a Collateral Debt Security, is not a default or breach) of the Issuer or the Co-Issuer under the Indenture or any

representation or warranty of the Issuer or the Co-Issuer made in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith proves to be incorrect in any material respect when made (which breach, violation, default or incorrect representation or warranty is reasonably expected to have a material and adverse effect on the interest of any of the Senior Noteholders) and the continuation of such default, breach or incorrectness for a period of 45 consecutive days (or, if such default, breach or incorrectness has an adverse effect on the validity, perfection or priority of the security interest granted under the Indenture, 30 consecutive days) after any of the Issuer, the Co-Issuer or the Collateral Manager has actual knowledge thereof or after notice thereof (x) to the Issuer and the Collateral Manager by the Trustee, (y) to the Issuer and the Trustee by the Collateral Manager or (z) to the Issuer, the Collateral Manager and the Trustee by the holders of at least 25% in Aggregate Outstanding Amount of Notes of the Controlling Class or by a Hedge Counterparty, in each case specifying such default or breach and requiring it to be remedied and stating that it is a "notice of default" under the Indenture;

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

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

(viii) the occurrence of a Fiscal Agency Agreement Event of Default.

If either of the Co-Issuers obtains knowledge or has reason to believe that an Indenture Event of Default has occurred and is continuing, such Co-Issuer is obligated promptly to notify the Trustee, the Fiscal Agent, the Noteholders, the Collateral Manager, each Hedge Counterparty and each Rating Agency of such Indenture Event of Default in writing.

If an Indenture Event of Default occurs and is continuing (other than an Indenture Event of Default described in clause (vi) of the definition of "Indenture Event of Default"), (a) the Trustee (at the direction of the holders of a Majority in Aggregate Outstanding Amount of the Controlling Class by notice to the Co-Issuers) and otherwise holders of a Majority in Aggregate Outstanding Amount of the Controlling Class by notice to the Co-Issuers and the Trustee, may declare the principal of and accrued and unpaid interest on all of the Notes to be immediately due and payable and (b) if such Indenture Event of Default occurs and is continuing during the Reinvestment Period, the Reinvestment Period shall terminate. If an Indenture Event of Default described in clause (vi) of the definition of "Indenture Event of Default" occurs, such acceleration and termination of the Reinvestment Period will occur automatically and without any further action on the part of the Trustee or any Noteholder. Notwithstanding the foregoing, if the sole Indenture Event of Default is an Indenture Event of Default described in clause (i), clause (ii) or clause (viii) of the definition of "Indenture Event of Default" with respect to a default in the payment of any principal of or interest on the Notes of a Class other than the Controlling Class, neither the Trustee nor the holders of such non-Controlling Class will have the right to declare such principal and other amounts to be immediately due and payable. Any

declaration of acceleration may under certain circumstances be rescinded by the holders of a Majority in Aggregate Outstanding Amount of Notes of the Controlling Class.

The "Controlling Class" means the Class A Notes for so long as any Class A Notes are outstanding; if no Class A Notes are outstanding, then the Class B Notes, so long as any Class B Notes are outstanding; if no Class A Notes or Class B Notes are outstanding, then the Class C Notes, so long as any Class C Notes are outstanding; if no Class A Notes, Class B Notes or Class C Notes are outstanding, then the Class D Notes, so long any Class D Notes are outstanding; *provided* that (except for matters as to which the unanimous consent of all holders of the Class A-1B Notes is required under the transaction documents, assuming for this purpose, in the case of any limitation on voting rights with respect to a matter to adversely affected Noteholders, that each Noteholder is adversely affected) so long as the Class A Notes are the Controlling Class, the holders of the Class A-1BV Notes will have a voting power equal to the Aggregate Outstanding Amount of the Class A-1B Notes, and the holders of the Class A-1B1 Notes and Class A-1B2 Notes shall have no voting power.

If an Indenture Event of Default occurs and is continuing when any Note is outstanding, the Trustee will not terminate any Hedge Agreement (unless the Issuer has entered into a replacement Hedge Agreement for such terminated Hedge Agreement) and will retain the Collateral intact and collect all payments in respect of the Collateral and continue making payments in the manner described under "—Priority of Payments" unless:

(A) the Trustee calculates that the anticipated net proceeds of a sale or liquidation of such Collateral would be sufficient to discharge in full the amounts then due and unpaid on the Notes for principal and interest (including the Class X Deferred Interest Amount, Class C Deferred Interest Amount, Defaulted Interest and interest on Defaulted Interest, if any), and to pay certain due and unpaid Administrative Expenses, all amounts due to the Hedge Counterparties (including any termination payment and any accrued interest thereon assuming for this purpose, that each Hedge Agreement has been terminated by reason of an event of default or termination event with respect to the Issuer), any accrued and unpaid Trustee Fees and Subordinate Management Fees, and the holders of at least a SupraMajority of the Controlling Class of Notes agree in writing with such determination;

(B) for as long as any Class A-1 Note is outstanding, the Controlling Party directs the sale and liquidation of the Collateral; or

(C) if there are no Class A-1 Notes outstanding, the holders of at least a SupraMajority of each Class of Notes (voting as a separate Class) and each Hedge Counterparty (unless no early termination payment would be owing by the Issuer to such Hedge Counterparty upon the termination thereof by reason of an event of default or termination event under the relevant Hedge Agreement with respect to the Issuer), subject to the provisions of the Indenture, direct the sale of the Collateral.

If either of the conditions above to the liquidation of the Collateral is satisfied, the Trustee will liquidate the Collateral and terminate each Hedge Agreement and, on the sixth Business Day (the "Accelerated Maturity Date") following the Business Day (which shall be the

Determination Date for such Accelerated Maturity Date) on which the Trustee notifies the Issuer, the Fiscal Agent, the Collateral Manager, each Hedge Counterparty and each Rating Agency that such liquidation is completed, apply the proceeds of such liquidation in accordance with the Priority of Payments. The Accelerated Maturity Date will be treated as a Quarterly Distribution Date, and distributions on such date will be made in accordance with the Priority of Payments.

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

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

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

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

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

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

Notices

Notices to the Senior Noteholders will be given by first-class mail, postage prepaid, to the registered holders of the Senior Notes at their address appearing in the Senior Note Register. If and for so long as any Class of Senior Notes is listed on the Irish Stock Exchange and so long as the rules of such stock exchange so require, notices to the holders of such Notes will also be given by the Trustee to the Irish Listing Agent for publication by the Companies Announcement Office of the Irish Stock Exchange.

Modification of the Indenture

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

Notwithstanding the foregoing, the Trustee may not enter into any such supplemental indenture (other than to conform the Indenture to the Offering Circular) without the consent of each holder of each outstanding Note of each Class adversely affected thereby, and each Hedge Counterparty (if its consent is required pursuant to the applicable Hedge 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 Priority of Payments so as to affect 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 Amount of holders of Notes of each Class whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder or their consequences or 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, (iii) materially impairs or materially adversely affects the Collateral pledged under the Indenture except as otherwise permitted thereby, (iv) permits the creation of any lien ranking prior to or on a parity with the lien created by the Indenture with respect to any part of the Collateral other than the security interest granted to the Synthetic Security Counterparty over the Synthetic Security Counterparty Account or terminates such lien on any property at any time subject thereto (other than in connection with the sale or exchange thereof in accordance with, or as otherwise permitted by, the Indenture) or deprives the holder of any Note (other than a Junior Note) of the security afforded by the lien created by the Indenture except, in each of the foregoing cases, as otherwise permitted by the Indenture, (v) modifies any of the provisions of the Indenture with respect to supplemental indentures requiring the consent of Noteholders except to increase the percentage of the Aggregate Outstanding Amount of holders of Notes of each Class whose consent is required for any action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby, (vi) modifies the definition of the term "Outstanding," the definition of the term "Indenture Event of Default" or "Fiscal Agency Agreement Event of Default" or the subordination or priority of payments provisions of the Indenture, (vii) increases the permitted minimum denominations of any Class of Notes, (viii) modifies any of the provisions of the Indenture in such a manner as to affect directly the calculation of the amount of any payment of interest on or principal of any Note or the right of the holders of Notes to the benefit of any provisions for the redemption of such Notes contained therein, or (ix) amends the "non-petition" or "limited recourse" provisions of the Indenture or the Notes. For the avoidance of doubt, nothing in clauses (i) through (ix) above is intended to apply to a supplemental indenture otherwise permitted by the Indenture that may affect indirectly the amount available for application under the Priority of Payments. The Trustee may not enter into any supplemental indenture unless (A)(i) the Rating Condition with respect to Standard & Poor's shall have been satisfied with respect to such supplemental indenture and (ii) with respect to any supplemental indenture changing the compensation payable to the Collateral Manager, unless the Rating Condition has been satisfied with respect to such supplemental indenture or (B) consent from each holder of Notes is obtained.

The Co-Issuers and the Trustee may also enter into supplemental indentures without obtaining the consent of holders of any Notes or any Hedge Counterparty (except to the extent such consent is required under the applicable Hedge Agreement), in order to (i) evidence the succession of any person to the Issuer or the Co-Issuer and the assumption by such successor of the covenants in the Indenture and the Notes, (ii) add to the covenants of the Co-Issuers or the

Trustee for the benefit of the holders of all of the Notes or to surrender any right or power conferred upon the Co-Issuers, (iii) convey, transfer, assign, mortgage or pledge any property to the Trustee for the benefit of the Secured Parties, (iv) evidence and provide for the acceptance of appointment by a successor trustee and to add to or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the trusts under the Indenture by more than one Trustee, (v) correct or amplify the description of any property at any time subject to the lien created by the Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subject to the lien created by the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or to subject to the lien created by the Indenture any additional property, (vi) modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any changes in applicable law or regulation (or the interpretation thereof) or in accordance with the USA PATRIOT Act, the Proceeds of Criminal Conduct Law (as amended) (enacted in the Cayman Islands), The Money Laundering Regulations (as amended) (enacted in the Cayman Islands) and any other similar applicable laws or regulations or to enable the Co-Issuers to rely upon any less restrictive exemption from registration under the Securities Act, the Investment Company Act or other applicable law or to remove restrictions on resale and transfer to the extent not required thereunder, (vii) correct any inconsistency, defect or ambiguity in the Indenture or correct, modify or supplement any provision which is inconsistent with any rating agency methodology, (viii) obtain ratings on one or more Classes of the Notes from any rating agency, (ix) accommodate the issuance of any Class of Notes to be held through the facilities of DTC, Euroclear or Clearstream, Luxembourg or otherwise or the listing or the delisting of the Notes on any exchange, (x) make administrative changes as the Co-Issuers deem appropriate and that do not materially and adversely affect the interests of any Noteholder or Hedge Counterparty, (xi) avoid imposition of tax on the net income of the Issuer or the Co-Issuer or of withholding tax on any payment to the Issuer or the Co-Issuer or to avoid the Issuer or the Co-Issuer being required to register as an investment company under the Investment Company Act or avoid the application of the German Investment Tax Act to the Issuer or to any of the Offered Securities, (xii) accommodate the issuance of any Class of Notes as Definitive Notes, (xiii) to correct any non-material error in any provision of the Indenture upon receipt by the Trustee of written direction from the Collateral Manager or the Issuer describing in reasonable detail such error and the modification necessary to correct such error, (xiv) conform the Indenture to this Offering Circular, (xv) make any change required in order to permit or maintain a listing on any exchange, (xvi) correct any manifest error in the Indenture, (xvii) amend or otherwise modify (a) if the Rating Condition with respect to Moody's is satisfied, (1) the matrix attached as Part I of Schedule A hereto, (2) the Moody's Minimum Weighted Average Recovery Rate Test, the Moody's Maximum Rating Distribution Test or the Moody's Asset Correlation Test or (3) any reference in the Indenture to "Moody's Rating" or a rating assigned by Moody's or (b) if the Rating Condition with respect to Standard & Poor's is satisfied, the matrix attached as Part II of Schedule A hereto or the Standard & Poor's Minimum Recovery Rate Test or any reference in the Indenture to "Standard & Poor's Rating" or a rating assigned by Standard & Poor's; (xviii) accommodate, modify or amend existing and/or replacement hedge agreements or enter into one or more additional hedge agreements or accommodate, modify, or amend such additional hedge agreements, or replacements therefor; or (xix) change the procedures for implementing the Auction Call Redemption, Optional Redemption or Tax Redemption (but without changing the

Redemption Price or the earliest date on which such a redemption may occur), including deadlines, in each case, at the direction of the Collateral Manager.

In each case (other than pursuant to clause (xiv) or (xvi)), the Trustee may not enter into a supplemental indenture, if, as a result, of such supplemental indenture, the interests of any Class of Notes would be adversely affected thereby.

The Trustee may not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Condition with respect to the applicable Rating Agency or Rating Agencies would not be satisfied; *provided* that (i) the Trustee may, with the consent of the holders of 100% of the Aggregate Outstanding Amount of each Class of Notes whose then current rating would be reduced, withdrawn or qualified and for which the Rating Condition has not been satisfied, upon prior written notice of such consent to the Rating Agencies and the Collateral Manager, enter into any such supplemental indenture notwithstanding that the Rating Condition would not be satisfied with respect to such supplemental indenture and (ii) except with respect to any supplemental indenture pursuant to clause (xvii) or (xviii) or any supplemental indenture changing the compensation payable to the Collateral Manager, satisfaction of the Rating Condition with respect to Moody's shall not be required.

The Trustee is entitled to rely upon an officer's certificate of the Issuer (or the Collateral Manager on its behalf) or an opinion of counsel, provided by and at the expense of the Issuer, as to whether the interests of any Class of Notes would be materially and adversely affected by any such supplemental indenture. The Issuer shall not enter into any such supplemental indenture without the consent of a Hedge Counterparty if its consent is required under the applicable Hedge Agreement. In addition, the Issuer may not enter into any supplemental indenture without the written consent of the Collateral Manager if such supplemental indenture alters the rights or obligations of the Collateral Manager in any respect, and the Collateral Manager will not be bound by any such supplemental indenture unless the Collateral Manager has consented thereto.

At the cost of the Co-Issuers, the Trustee shall provide to (i) the Fiscal Agent, the Controlling Party, the Collateral Manager and the Hedge Counterparties a copy of any proposed supplemental indenture at least 15 Business Days prior to the execution thereof by the Trustee and (ii) to the same parties, the Senior Noteholders, and the Irish Paying Agent a copy of the executed supplemental indenture after its execution. At the cost of the Co-Issuers, the Trustee shall provide to each Rating Agency a copy of any proposed supplemental indenture at least 15 Business Days prior to the execution thereof by the Trustee, and, for so long as any Senior Notes are Outstanding, request that, in the case of a supplemental indenture pursuant to clause (q) or (r) or any supplemental indenture changing the compensation payable to the Collateral Manager, the Rating Condition or, in the case of any other supplemental indenture, the Rating Condition with respect to Standard & Poor's, be satisfied with respect to such supplemental indenture, and, as soon as reasonably practicable after the execution by the Trustee and the Issuer of any such supplemental indenture, provide to each Rating Agency a copy of the executed supplemental indenture.

Notwithstanding anything to the contrary in this section, if any of the Rating Agencies changes the method of calculating any of its respective Collateral Quality Tests (a

"Collateral Quality Test Modification") or any of the respective Coverage Tests (a "Coverage Test Modification"), the Issuer may, at the direction of the Collateral Manager, incorporate corresponding changes into the Indenture without the consent of the holders of the Notes (i) (A) in the case of a Collateral Quality Test Modification, if the Rating Condition is satisfied with respect to the Rating Agency that made such change (or, in the case of the Weighted Average Spread Test or the Weighted Average Life Test, with respect to each Rating Agency then rating the Notes) or (B) in the case of a Coverage Test Modification, the Rating Condition is satisfied with respect to each Rating Agency then rating the Notes and (ii) if notice of such change is delivered by the Collateral Manager to the Trustee and to the holders of the Notes (which notice may be included in the next regular report to Noteholders). Any such modification shall be effected without execution of a supplemental indenture, subject to the consent of the Trustee and the consent of each Hedge Counterparty to the extent each such consent is required pursuant to the applicable Hedge Agreement.

Modification of Certain Other Documents

Prior to entering into any amendment to or termination of the Fiscal Agency Agreement, the Account Control Agreement, the Collateral Management Agreement, the Collateral Administration Agreement or any Hedge Agreement, the Issuer is required by the Indenture (i) to notify the Rating Agencies of such amendment or termination, (ii) with respect to an amendment of a Hedge Agreement or the Collateral Management Agreement, to satisfy the Rating Condition with respect to Standard & Poor's and (iii) to obtain the written consent of the Collateral Manager to such amendment or termination. Prior to granting any waiver in respect of any of the foregoing agreements, the Issuer is required to provide each Rating Agency, the Collateral Manager, each Hedge Counterparty, the Fiscal Agent and the Trustee with written notice of such waiver. The amendment to and waiver of provisions of the Collateral Management Agreement are also subject to additional restrictions as described herein under "The Collateral Management Agreement." Certain Synthetic Security Counterparties, each hedge Counterparty, the Collateral Manager and each holder of a Junior Note will be an express third party beneficiary of the Indenture. The amendment and waiver of provisions of the Fiscal Agency Agreement are also subject to additional restrictions as described herein under "Fiscal Agency Agreement."

Consolidation, Merger or Transfer of Assets

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

Petitions for Bankruptcy

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

Reports

The Issuer will provide monthly reports containing certain information regarding the Collateral Debt Securities to each Rating Agency, the Trustee, the Collateral Manager, the Placement Agents, the Fiscal Agent, the Controlling Party, each Hedge Counterparty and each transfer agent upon written request therefore and subject to the Indenture, any holder of a Senior Note shown on the Senior Note Register, the Fiscal Agent and (so long as any Notes are listed on the Irish Stock Exchange) the Irish Stock Exchange or its agent. The Issuer will also distribute a monthly report to the Collateral Manager, each Rating Agency, the Trustee, the Placement Agents, the Fiscal Agent, the Controlling Party, each Hedge Counterparty, each Paying Agent and each transfer agent, not later than the related Quarterly Distribution Date, upon written request therefor and subject to the Indenture, any holder of a Senior Note shown on the Senior Note Register, the Fiscal Agent, and (so long as any Notes are listed on the Irish Stock Exchange) the Irish Stock Exchange or its agent, not later than the related Quarterly Distribution Date.

Trustee

LaSalle Bank National Association, located at 181 West Madison Street, 32nd Floor, Chicago, IL 60602, will be the Trustee under the Indenture. The Co-Issuers and their respective affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee is solely the obligation of the Co-Issuers. The Trustee and its affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Indenture. Eligible Investments may include investments for which the Trustee and/or its affiliates provide services. The Indenture contains provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture. Pursuant to the Indenture, the Issuer has granted to the Trustee a lien senior to that of the Senior Noteholders to secure payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer under the Indenture (subject to the dollar limitations set forth in the Priority of Payments with respect to any Quarterly Distribution Date), which lien the Trustee is entitled to exercise only under certain circumstances. In the Indenture, the Trustee will agree not to cause or join in the filing of a petition for winding up or a petition in bankruptcy against the Co-Issuers for nonpayment to the Trustee of amounts payable thereunder until at least one year and one day, or if longer, the applicable preference period (plus

one day) then in effect, after the payment in full of all of the Notes; *provided, however*, it is entitled to file proofs of claim in connection with such proceeding. Pursuant to the Indenture, (i) the Trustee may resign at any time by providing 30 days' prior written notice to the Co-Issuers, the Noteholders, the Hedge Counterparties, each Rating Agency, the Collateral Manager and the Fiscal Agent and (ii) the Trustee may be removed at any time by holders of at least a SupraMajority of the Senior Notes or at any time on 10 days' prior written notice when an Indenture Event of Default shall have occurred and be continuing by holders of at least a SupraMajority 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 as Paying Agent, Calculation Agent, Senior Note Registrar and any other capacity in which the Trustee is then acting pursuant to the Indenture, the Fiscal Agency Agreement, the Collateral Administration Agreement and the Account Control Agreement.

The Collateral Administration Agreement

Pursuant to the terms of the Collateral Administration Agreement (the "Collateral Administration Agreement"), dated as of the Closing Date, among the Issuer, the Collateral Manager and LaSalle Bank National Association (in such capacity, the "Collateral Administrator"), relating to certain functions performed by the Collateral Administrator for the Issuer with respect to the Indenture and the Collateral Debt Securities, the Issuer will retain the Collateral Administrator, to assist in the preparation of certain reports with respect to the Collateral Debt Securities.

Tax Characterization

The Issuer intends to treat the Senior Notes as debt instruments of the Issuer for U.S. Federal, state and local income tax purposes, unless and until an applicable taxing authority requires otherwise. The Indenture will provide that each holder, by accepting a Senior Note, agrees to such treatment and agrees not to take any action inconsistent with such treatment; *provided, however*, that the holders of Class B Notes will not be required to treat the Class B Notes as debt with respect to certain reporting requirements under Sections 6038, 6038B and 6046 of the Code.

Governing Law

The Senior Notes and the Indenture will be governed by, and construed in accordance with, the laws of the State of New York.

**The Fiscal Agency Agreement**

The Junior Notes will be issued pursuant to a deed of covenant dated as of the Closing Date (the "Deed of Covenant") by the Issuer and will be administered pursuant to a fiscal agency agreement dated as of the Closing Date (the "Fiscal Agency Agreement") between the Issuer and LaSalle Bank National Association, as fiscal agent (in such capacity, together with its successors and assigns in such capacity, the "Fiscal Agent"). The following summary describes certain provisions of the Fiscal Agency Agreement. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the

Fiscal Agency Agreement. After the Closing Date, copies of the Deed of Covenant and the Fiscal Agency Agreement may be obtained by prospective investors upon written request to the Fiscal Agent at 181 West Madison Street, 32nd Floor, Chicago, Illinois 60602, Attention: CDO Trust Services Group—*Triaxx* Prime CDO 2006-2, Ltd.

Status and Security

The Junior Notes are limited-recourse obligations of the Issuer that will be secured by the Collateral Debt Securities and the other Collateral pursuant to a security agreement, dated as of the Closing Date (the "Security Agreement"), between the Issuer and the Fiscal Agent, for the benefit of the Junior Noteholders. However, the lien of the Junior Noteholders pursuant to the Security Agreement ranks second in priority to the lien of the Secured Notes with respect to the Collateral. The Issuer has, pursuant to the Indenture, pledged substantially all of its assets to secure its obligations to the Secured Parties and, pursuant to the Security Agreement pledged such asset to secure its obligations to the Junior Noteholders, subject to the prior lien of the Secured Parties.

Fiscal Agency Agreement Events of Default

A "Fiscal Agency Agreement Event of Default" is defined in the Fiscal Agency Agreement as:

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

(ii) (a) if the Class A-1 Notes, the Class A-2 Notes and the Class B Notes are no longer outstanding, a default in the payment of the Class X Principal Amount or (b) a default in the payment of principal of any Junior Note when the same becomes due and payable at its Stated Maturity or Redemption Date (and, in the case of a payment default resulting solely from an administrative error or omission by the Fiscal Agent, the Administrator, a Paying Agent with respect to the Junior Notes or the Junior Note Registrar, such default continues for a period of five Business Days);

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

(iv) the occurrence of an Indenture Event of Default.

Indenture Events of Default and Fiscal Agency Agreement Events of Default" are collectively referred to herein as "Events of Default."

Notices

Notices to the Junior Noteholders will be given by first-class mail, postage prepaid, to the registered holders of the Junior Notes at their address appearing in the Junior Note Register. If and for so long as any Class of Junior Notes is listed on the Irish Stock Exchange and so long as the rules of such stock exchange so require, notices to the holders of such Notes will also be given by the Fiscal Agent to the Irish Listing Agent for publication by the Companies Announcement Office of the Irish Stock Exchange.

Amendment of the Fiscal Agency Agreement

The Issuer may not consent to any amendment of the Fiscal Agency Agreement without the consent of each Junior Noteholder 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 interest, principal or final payments on the Junior Notes or (ii) reduce the voting percentage of holders of Junior Notes required to consent to any amendment to the Fiscal Agency Agreement that requires the consent of the holders of any Junior Notes.

Consolidation, Merger or Transfer of Assets

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

Petitions for Bankruptcy

The Fiscal Agency Agreement provides that the holders of the Junior Notes (other than the Controlling Class of Notes) and the Fiscal Agent will agree not to cause or join in the filing of a petition for winding up or a petition in bankruptcy against the Issuer before one year and one day have elapsed since the final payments to the holders of the Junior Notes or, if longer, the applicable preference period (including any period established pursuant to the laws of the Cayman Islands then in effect) plus one day.

Satisfaction and Discharge of Fiscal Agency Agreement

The Fiscal Agency Agreement will be discharged upon delivery to the Fiscal Agent for cancellation of all of the Junior Notes, or, subject to certain limitations, upon deposit with the Fiscal Agent of funds sufficient for the payment or redemption of the Junior Notes and the payment by the Issuer of all other amounts due under the Junior Notes, the Fiscal Agency Agreement, the Indenture, the Collateral Administration Agreement, the Administration Agreement, each Hedge Agreement and the Collateral Management Agreement.

Fiscal Agent

LaSalle Bank National Association, located at 181 West Madison Street, 32nd Floor, Chicago, IL 60602, will be the Fiscal Agent under the Fiscal Agency Agreement. The Issuer and its respective affiliates may maintain other banking relationships in the ordinary course of business with the Fiscal Agent. The payment of the fees and expenses of the Fiscal

Agent is solely the obligation of the Issuer. The Fiscal Agent and its affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Fiscal Agency Agreement. Eligible Investments may include investments for which the Fiscal Agent and/or its affiliates provide services. The Fiscal Agency Agreement contains provisions for the indemnification of the Fiscal Agent 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 Fiscal Agency Agreement. Pursuant to the Indenture, the Issuer has granted to the Fiscal Agent a lien senior to that of the Noteholders to secure payment by the Issuer of the compensation and expenses of the Fiscal Agent and any sums the Fiscal Agent may be entitled to receive as indemnification by the Issuer under the Fiscal Agency Agreement (subject to the dollar limitations set forth in the Priority of Payments with respect to any Distribution Date), which lien the Fiscal Agent is entitled to exercise only under certain circumstances. In the Fiscal Agency Agreement, the Fiscal Agent will agree not to cause or join in the filing of a petition for winding up or a petition in bankruptcy against the Issuer for nonpayment to the Fiscal Agent of amounts payable thereunder until at least one year and one day, or if longer, the applicable preference period then in effect, including any period established pursuant to the laws of the Cayman Islands (plus one day), after the payment in full of all of the Notes; *provided*, *however*, it is entitled to file proofs of claim in connection with such proceeding. Pursuant to the Fiscal Agency Agreement, (i) the Fiscal Agent may resign at any time by providing 30 days' prior written notice to the Co-Issuers, the Noteholders, the Hedge Counterparties, each Rating Agency, the Collateral Manager and the Trustee, and (ii) the Fiscal Agent may be removed at any time by holders of at least a Supra Majority of the Junior Notes or at any time on 10 days' prior written notice when a Fiscal Agency Agreement Event of Default shall have occurred and be continuing by holders of at least a SupraMajority of Junior Notes of the Controlling Class. However, no resignation or removal of the Fiscal Agent will become effective until the acceptance of appointment by a successor Fiscal Agent pursuant to the terms of the Fiscal Agency Agreement. If the Fiscal Agent shall resign or be removed, the Fiscal Agent shall also resign as Paying Agent, Junior Note Registrar and any other capacity in which the Fiscal Agent is then acting pursuant to the Fiscal Agency Agreement.

Tax Characterization

The Issuer intends to treat the Class X Notes as debt instruments of the Issuer for U.S. Federal, state and local income tax purposes, unless and until an applicable taxing authority requires otherwise. The Fiscal Agency Agreement will provide that each holder, by accepting a Class X Note, agrees to such treatment and agrees not to take any action inconsistent with such treatment; *provided*, *however*, that the holders of Class X Notes will not be required to treat the Class X Notes as debt with respect to certain reporting requirements under Sections 6038, 6038B and 6046 of the Code. The Issuer intends to treat the Class C Notes as equity of the Issuer for U.S. Federal, state and local income tax purposes, and the Fiscal Agency Agreement will provide that each holder, by accepting a Class C Note, agrees to such treatment and agrees not to take any action inconsistent with such treatment.

Governing Law

The Fiscal Agency Agreement will be governed by, and construed in accordance with the laws of the State of New York. The Deed of Covenant and the Junior Notes will be governed by, and construed in accordance with, the laws of the Cayman Islands.

## USE OF PROCEEDS

The gross proceeds received from the issuance and sale of the Offered Securities will be approximately U.S.$5,000,000,000. The net proceeds from the issuance and sale of the Offered Securities are expected to be approximately U.S.$4,984,700,000, which reflects the payment from such gross proceeds of organizational and structuring fees, and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Collateral Manager and the Placement Agent), the expenses, fees and commissions incurred in connection with the acquisition of the Collateral Debt Securities for inclusion in the Collateral on or prior to the Closing Date, the expenses of offering the Offered Securities (including fees payable to the Placement Agent in connection with the offering of the Offered Securities) and 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 Residential Mortgage-Backed Securities and Synthetic Securities the Reference Obligations of which are Residential Mortgage-Backed Securities. 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.$3,000,000,000, of which amount approximately U.S.$500,000,000 is expected to consist of commitments to purchase Collateral Debt Securities on dates during the Ramp-Up Period. The Issuer expects that, no later than March 18, 2007 it will have purchased Collateral Debt Securities having an Aggregate Principal Balance of approximately U.S.$4,984,700,000, although the Aggregate Principal Balance may be less than such amount on such date due to principal payments on the Collateral Debt Securities. 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-1A Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, Class A-1B1 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, Class A-1B2 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, Class A-1BV Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, that the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, that the Class B Notes be rated at least "Aa2" by Moody's and at least "AA" by Standard & Poor's, that the Class X Notes be rated at least "A1" by Moody's and at least "A+" by Standard & Poor's and that the Class C Notes be rated at least "A2" by Moody's and at least "A" by Standard & Poor's.

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

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

## MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity of the Notes is the Distribution Date in October 2039. The Notes will mature at their Stated Maturity unless redeemed or repaid prior thereto. However, the average lives of the Notes 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) all outstanding Notes are redeemed on the Distribution Date occurring in January 2015 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 5.4%, (i) the average life of the Class A-1A Notes would be approximately 6.4 years from the Closing Date, (ii) the average life of the Class A-1B1 Notes would be approximately 6.4 years from the Closing Date, (iii) the average life of the Class A-1B2 Notes would be approximately 6.4 years from the Closing Date, (iv) the average life of the Class A-1BV Notes would be approximately 6.4 years from the Closing Date, (v) the average life of the Class A-2 Notes would be approximately 8 years from the Closing Date, (vi) the average life of the Class B Notes would be approximately 8 years from the Closing Date, (vii) the average life of the Class X Notes would be approximately 4.2 years from the Closing Date and (viii) the average life of the Class C Notes would be approximately 6 years from the Closing Date. Such average lives of the Notes are presented for illustrative purposes only. The assumed identity of the portfolio purchased by the Issuer and the other assumptions used to calculate such average lives of the Notes are necessarily arbitrary, do not necessarily reflect historical experience with respect to securities similar to the Collateral Debt Securities and do not constitute a prediction with respect to the rates or timing of receipts of Interest Proceeds or Principal Proceeds, the acquisition of Collateral Debt Securities on or prior to the last day of the Reinvestment Period, defaults, recoveries, 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 set forth above, and consequently the actual average lives of the Notes will differ, and may differ materially, from those set forth above. Accordingly, prospective investors should make their own determinations of the expected weighted average lives and maturity of the Notes and, accordingly, their own evaluation of the merits and risks of an investment in the Notes. See "Risk Factors—Projections, Forecasts and Estimates."

Average life refers to the average number of years that will elapse from the date of delivery of a security until each dollar of the principal of such security will be paid to the investor.

The average lives of the Notes will be determined by the amount and frequency of principal payments, which are dependent upon any payments received at or in advance of the scheduled maturity of Collateral Debt Securities (whether through prepayment, sale, maturity, redemption, default or other liquidation or disposition). The actual average lives of the Notes will also be affected by the financial condition of the obligors of the underlying Collateral Debt Securities and the characteristics of such obligations, including the existence and frequency of exercise of any optional or mandatory redemption or prepayment features, the prevailing level of

interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities, and the frequency of tender or exchange offers for such Collateral Debt Securities. Any disposition of a Collateral Debt Security and any reinvestment in a new Collateral Debt Security may change the composition and characteristics of the Collateral Debt Securities and the rate of payment thereon, and, accordingly, may affect the actual average lives of the Notes. The rate of future defaults and the amount and timing of any cash realization from Defaulted Securities also will affect the average lives of the Notes.

## THE CO-ISSUERS

### General

The Issuer, a special purpose vehicle, was incorporated as an exempted company with limited liability and registered on November 6, 2006 in the Cayman Islands pursuant to the Issuer Charter, has a registered number of WK-176841 and is in good standing under the laws of the Cayman Islands. The registered office of the Issuer is at the offices of Walkers SPV Limited, Walker House, 87 Mary Street George Town, Grand Cayman KY1-9002, Cayman Islands. The telephone number is (345) 945-3727. The Issuer has no prior operating experience and the Issuer will not have any substantial assets other than the Collateral pledged to secure the Notes, the Issuer's obligations under the Collateral Management Agreement, the Hedge Agreements and the Issuer's obligations to the Trustee. The entire authorized share capital of the Issuer will consist of 250 ordinary shares, par value U.S.$1.00 per share (which will be held in trust for charitable purposes by Walkers SPV Limited in the Cayman Islands (in such capacity, the "Share Trustee") under the terms of a declaration of trust).

It is proposed that the Issuer will be put into liquidation on the date that is one year and two days after the Stated Maturity of the Notes, subject to the approval of the directors, unless the Issuer is earlier dissolved and terminated in accordance with the terms of the Issuer Charter.

The Co-Issuer, a special purpose vehicle formed solely for the purpose of co-issuing the Notes, was organized on November 27, 2006 under the laws of the State of Delaware with the state identification number 4257188 and its registered office is c/o National Corporate Research, Ltd., 615 South DuPont Highway, Dover, Delaware 19901. The independent manager of the Co-Issuer is Donald J. Puglisi and he may be contacted at c/o Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711, telephone number (302) 738-6680. The Co-Issuer has no prior operating experience. It will not have any assets (other than its U.S.$1,000 received in connection with the issuance of the undivided limited liability company interest owned by the Issuer) and will not pledge any assets to secure the Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities or other assets held by the Issuer and will have no claim against the Issuer with respect to the Collateral Debt Securities or otherwise.

The Notes are obligations only of the Co-Issuers, and none of the Notes are obligations of the Trustee, the Fiscal Agent, the Share Trustee, the Administrator, the Collateral Manager, the Placement Agent or any of their respective affiliates or any directors or officers of the Co-Issuers.

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

Administrator will receive various fees and other charges payable by the Issuer at rates provided for in the Administration Agreement and will be reimbursed for expenses.

The Administrator's activities will be subject to the overview of the board of directors of the Issuer. The directors of the Issuer are David Egglishaw, Derrie Boggess and John Cullinane, each of whom is a director or officer of the Administrator and each of whose offices are at Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands, telephone number (345) 945-3727. The Administration Agreement may be terminated by either the Issuer or the Administrator upon 3 months' written notice, in which case a replacement Administrator would be appointed.

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

**Capitalization and Indebtedness of the Issuer**

The capitalization of the Issuer after giving effect to the issuance of the Offered Securities and the ordinary shares of the Issuer, but before deducting expenses of the offering of the Offered Securities and organizational expenses of the Co-Issuers is expected to be as follows:

| | | |
|---|---|---|
| Class A-1A Notes | U.S.$ | 1,500,000,000 |
| Class A-1B1 Notes | U.S.$ | 1,499,950,000 |
| Class A-1B2 Notes | U.S.$ | 1,499,950,000 |
| Class A-1BV Notes | U.S.$ | 100,000 |
| Class A-2 Notes | U.S.$ | 400,000,000 |
| Class B Notes | U.S.$ | 60,000,000 |
| Class X Notes | U.S.$ | 20,000,000 |
| Class C Notes | U.S.$ | 20,000,000 |
| Total Debt | U.S.$ | 5,000,000,000 |
| Ordinary Shares | U.S.$ | 250 |
| Total Equity | U.S.$ | 250 |
| Total Capitalization | U.S.$ | 5,000,000,250 |

As of the Closing Date, the authorized and issued share capital of the Issuer will be 250 ordinary shares, par value U.S.$1.00 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 undivided limited liability company interest, will have no assets other than the proceeds from the sale of its interests to the Issuer, and will have no debt other than as Co-Issuer of the Notes. The Notes will not be secured by the assets of the Co-Issuer. As of the Closing Date and after giving effect to the issuance of the undivided limited liability company interest to the Issuer, the Co-Issuer will have authorized and issued an undivided limited liability company interest of U.S.$1,000. The Issuer will have a capital account of U.S.$1,000 in the Co-Issuer representing all of the capital of the Co-Issuer.

**Business**

Article 3 of the Issuer Charter provides that the activities of the Issuer are limited to (i) the issuance of the Notes and its ordinary shares, (ii) the acquisition, disposition of, and investment in, Collateral Debt Securities, Equity Securities (to a limited extent) and Eligible Investments, (iii) the entering into, and the performance of its obligations under the Indenture, the Deed of Covenant, the Notes, the Placement Agency Agreement, the Account Control Agreement, the Fiscal Agency Agreement, the Collateral Management Agreement, the Synthetic Securities, the Collateral Administration Agreement, the Administration Agreement and any Hedge Agreement, (iv) the pledge of the Collateral as security for its obligations in respect of (inter alia) the Notes, (v) the ownership and management of the Co-Issuer and (vi) certain activities conducted in connection with the payment of amounts in respect of the Offered Securities, the management of the Collateral and other incidental activities.

The Issuer has no employees and no subsidiaries other than the Co-Issuer. The Indenture and the Fiscal Agency Agreement will restrict the Issuer from taking any action that would constitute an abuse of its control of the Co-Issuer. Section 2 of the Co-Issuer's Limited Liability Company Agreement states that the Co-Issuer will not undertake any business other than the co-issuance of the Notes.

## SECURITY FOR THE NOTES

### General

The Collateral securing the Secured Notes (together with the Issuer's obligations to any Hedge Counterparty under a Hedge Agreement, to certain of the Synthetic Security Counterparties under the Synthetic Securities, to the Collateral Manager under the Collateral Management Agreement (other than in respect of the Incentive Management Fee) and to the Trustee and the Fiscal Agent under the Indenture) will consist of: (a) the Custodial Account, the Collateral Debt Securities and the Equity Securities (if any), (b) the Interest Collection Account, the Uninvested Proceeds Account, the Principal Collection Account, the Payment Account, the Expense Account, the Interest Reserve Account, the Quarterly Interest Reserve Account, each Synthetic Security Counterparty Account (subject to the prior rights, if any, of the related Synthetic Security Counterparty), 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, the Issuer's rights in and to each Synthetic Security Issuer Account, the Issuer's rights in and to each Hedge Counterparty Collateral Account, (c) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, each Hedge Agreement and all agreements related to the Synthetic Securities, (d) all cash delivered to the Trustee and (e) 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"); *provided* that the rights of any Synthetic Security Counterparty as a secured party will be limited solely to its rights in respect of any Synthetic Security Counterparty Account or Synthetic Security Issuer Account established with respect to the Synthetic Security to which it is a party.

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

The Junior Notes will also be secured by the Collateral pursuant to the Security Agreement, but such lien will rank second in priority to the lien of the Senior Notes pursuant to the Indenture.

### Collateral Debt Securities

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.$3,000,000,000. During the Ramp-Up Period, the Issuer may invest Uninvested Proceeds in Collateral Debt Securities. During the

Reinvestment Period, the Issuer may reinvest Principal Proceeds in Collateral Debt Securities. A "Collateral Debt Security" means (i) any Residential Mortgage-Backed Security, (ii) any Synthetic Security each Reference Obligation of which, and each Deliverable Obligation under which, is a Residential Mortgage-Backed Security or (iii) any Deliverable Obligation which is a Residential Mortgage-Backed Security that would qualify to be included as a Collateral Debt Security hereunder if purchased directly by the Issuer.

The Issuer does not expect to enter into any Synthetic Securities on the Closing Date, but may enter into Synthetic Securities after the Closing Date. Any Synthetic Security Collateral transferred to the Custodial Account upon termination of the related Synthetic Security also will be treated as Collateral Debt Securities. When the Issuer enters into (or purchases) a Synthetic Security, the Eligibility Criteria will be applicable to the Reference Obligation of the Synthetic Security, rather than to any securities purchased as Synthetic Security Collateral. Synthetic Security Collateral may consist of assets that are not Residential Mortgage-Backed Securities.

**Ramp-Up Period**

During the Ramp-Up Period, the Issuer will use its commercially reasonable efforts to acquire the remainder of the initial portfolio of Collateral Debt Securities. The Issuer will use its commercially reasonable efforts to purchase (or enter into commitments to purchase) Collateral Debt Securities which, together with certain other amounts specified below, will have an Aggregate Principal Balance equal to at least U.S.$4,984,700,000 on the Ramp-Up Completion Date, consisting of at least 50 issuers (including issuers of each Reference Obligation of a Synthetic Security) of Pledged Collateral Debt Securities.

The "Ramp-Up Completion Date" is the date that is the earlier of (a) March 18, 2007 and (b) the first date on which the sum of (i) the Aggregate Principal Balance of the Collateral Debt Securities that the Issuer has purchased or committed to purchase *plus* (ii) the Aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account *plus* (iii) the amount of all Principal Proceeds distributed on any prior Distribution Date, is at least equal to U.S.$4,984,700,000 (in each case, assuming for these purposes that (A) settlement occurs in accordance with customary settlement procedures in the relevant markets on the Ramp-Up Completion Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Ramp-Up Completion Date and (B) each such Collateral Debt Security is a Pledged Collateral Debt Security.

The Issuer will notify (such notification, a "Ramp-Up Notice") the Trustee, the Fiscal Agent, each Rating Agency and each Hedge Counterparty in writing of the occurrence of the Ramp-Up Completion Date within one Business Day after the Ramp-Up Completion Date occurs. The Issuer will request that Standard & Poor's and (if a Deemed Confirmation does not occur) Moody's confirm to the Issuer that it has not reduced or withdrawn the rating assigned by it on the Closing Date to any Class of Notes (together with a Deemed Confirmation, a "Rating Confirmation"); *provided* that, if the Ramp-Up Completion Date occurs on the Closing Date (as shall be evidenced by the schedule of Collateral Debt Securities and an accountant's report delivered on the Closing Date pursuant to the Indenture), then the initial assignment by Moody's,

Fitch and Standard & Poor's of their ratings to the Notes on the Closing Date shall constitute a Rating Confirmation and no further action shall be required in connection with the Ramp-Up Completion Date. In the Ramp-Up Notice, the Issuer is required to certify to the Trustee and each Rating Agency that the Overcollateralization Tests and the Collateral Quality Tests have been satisfied. If the Issuer is required to request a Rating Confirmation but is unable to obtain a Rating Confirmation from each Rating Agency prior to the first Determination Date following receipt by such Rating Agency of such Ramp-Up Notice (a "Rating Confirmation Failure"), on the first Quarterly Distribution Date following such Rating Confirmation Failure, the Issuer will be required to apply Uninvested Proceeds (which are not required to complete purchases of Collateral Debt Securities), and then Interest Proceeds and Principal Proceeds, to pay, in part, the principal amount of the Notes in direct order of seniority to the extent required to obtain the Rating Confirmation.

To the extent that such Uninvested Proceeds are insufficient to redeem the Notes to the extent necessary to obtain a Rating Confirmation, on such Quarterly Distribution Date and on each Quarterly Distribution Date thereafter, Interest Proceeds and, to the extent that Interest Proceeds are insufficient, Principal Proceeds, will be applied in accordance with the Priority of Payments, to the payment of principal of, *first*, the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority), pro rata (based on the Aggregate Outstanding Amount of each Class of Notes), *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class X Notes and, *fifth*, the Class C Notes, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation.

In the event that on January 31, 2007 (the "Interim Ramp-Up Test Date"), either (i) the Issuer has not purchased (or entered into agreements to purchase for settlement following the Interim Ramp-Up Test Date), together with Eligible Investments purchased with Principal Proceeds, Collateral Debt Securities having an Aggregate Principal Balance (together with certain other amounts) of at least U.S.$4,000,000,000 or (ii) the Weighted Average Spread Test is less than 0.47% (clauses (i) and (ii) being the "Interim Ramp-Up Tests"), the Issuer must propose a plan to the Rating Agencies (a "Proposed Plan") for achieving compliance with the Interim Ramp-Up Tests by the Ramp-Up Completion Date that satisfies the Rating Condition. Until the Rating Condition is satisfied with respect to a Proposed Plan, the Issuer will be prohibited from purchasing additional Collateral Debt Securities. The Issuer expects that it will satisfy the Interim Ramp-Up Tests on the Interim Ramp-Up Test Date.

After the Ramp-Up Period, the Issuer will not invest Uninvested Proceeds, except to complete purchases which the Issuer committed to make during the Ramp-Up Period.

The Trustee will provide upon request by an investor or prospective investor in the Offered Securities a list of the Collateral Debt Securities owned by the Issuer.

**Eligibility Criteria**

Uninvested Proceeds and Principal Proceeds may be invested in Collateral Debt Securities during the Ramp-Up Period. No investment may be made in Collateral Debt Securities from Uninvested Proceeds after the Ramp-Up Completion Date, except to complete any purchase which the Issuer committed to make during the Ramp-Up Period. During the

Reinvestment Period, the Collateral Manager may reinvest Principal Proceeds (subject to the conditions specified under "Description of the Notes—Reinvestment Period" and "Security for the Notes—Dispositions of Collateral Debt Securities") in substitute Collateral Debt Securities. Immediately after giving effect to each such commitment by the Issuer to invest Principal Proceeds during the Reinvestment Period (or Uninvested Proceeds during the Ramp-Up Period) in a Collateral Debt Security (and to any other investments in, or sales of, Collateral Debt Securities which the Issuer has on or prior to such date committed to make), each of the following criteria (the "Eligibility Criteria") must be satisfied with respect to such Collateral Debt Security except as specified below:

| | |
|---|---|
| **Assignable** | (1) the Underlying Instrument pursuant to which such security was issued permits the Issuer to purchase it and pledge it to the Trustee and such security is a type subject to Article 8 or Article 9 of the UCC; |
| **Jurisdiction of obligor/issuer** | (2) the obligor on or issuer of such security is organized or incorporated under the laws of the United States or a State thereof or in a Special Purpose Vehicle Jurisdiction; |
| **Dollar denominated** | (3) such security is denominated and payable only in Dollars and may not be converted into a security payable in any other currency; |
| **Fixed principal amount; No Interest Only Securities** | (4) other than any Defeased Synthetic Security, such security requires the payment of a fixed amount of principal in cash no later than its stated maturity or termination date; |
| **Rating** | (5) such security (or Reference Obligation of any Synthetic Security) (A) has a public rating from at least one of Moody's or Standard & Poor's of "Aaa" or "AAA," as applicable; or (B) is not publicly rated by either Moody's or Standard & Poor's but has a Moody's Rating or a Standard & Poor's Rating of at least "Aa1" or "AA-," as applicable, *provided* that the Aggregate Principal Balance of all such Pledged Collateral Debt Securities pursuant to this clause (B) does not exceed 15% of the Net Outstanding Portfolio Collateral Balance; |
| **Registered form** | (6) such security is in Registered form; *provided* that a Synthetic Security or a Reference Obligation need not be in such Registered form unless, in either case, failure to be in such Registered form would cause such security to be subject to withholding tax or be subject to the loss disallowance rule of the Code; |

**No withholding**

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

**Does not subject Issuer to tax on a net income basis**

(8) the Issuer will not (i) be treated as engaged in a U.S. trade or business for U.S. Federal income tax purposes or otherwise be subject to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation as a result of the acquisition (including the manner of acquisition), ownership, enforcement or disposition of such security or (ii) upon disposition of such security, be subject to U.S. Federal income or withholding tax under Section 897 or Section 1445 of the Code and the Treasury Regulations promulgated thereunder on any gain realized on such disposition;

**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;

**No Defaulted Securities, Credit Risk Securities, Equity Securities or Written Down Securities**

(10) such security is not a Defaulted Security, a Credit Risk Security, an Equity Security or a Written Down Security;

**Purchase price**

(11) other than any Defeased Synthetic Security, the purchase price (expressed as a percentage) of such security is not less than 75.0% of the price at which such security was issued on original issuance;

**No foreign exchange controls**

(12) payments in respect of such security are not made from a country that imposes foreign exchange controls that effectively limit the availability or use of Dollars to make when due the scheduled payments of principal of and interest on such security;

**No Margin Stock**

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

**No debtor-in-possession financing**

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

**No optional or mandatory conversion or exchange**

(15) such security is not a security that by the terms of its Underlying Instruments provides for conversion or exchange (whether mandatory, at the option of the issuer or the holder thereof or otherwise) into equity capital at any time prior to its maturity;

**Not subject to an Offer or called for redemption**

(16) such security is not the subject of an Offer (other than an Offer to exchange such security for a security that constitutes a Collateral Debt Security and that such Offer is registered under the Securities Act or such security is issued pursuant to Rule 144A (or another exemption from registration) under the Securities Act, where the replacement security would have terms that are similar to, or more favorable to the Issuer than, the security being exchanged) and has not been called for redemption;

**No future advances**

(17) such security is not a security with respect to which the Issuer is required by the Underlying Instruments to make any payment or advance to the issuer thereof or to the related Synthetic Security Counterparty (other than a Defeased Synthetic Security);

**No Pure Private Collateral Debt Securities**

(18) such security (including any Reference Obligation of a Single Obligation Synthetic Security) is not a Pure Private Collateral Debt Security;

**No Guaranteed Residential Mortgage-Backed Securities**

(19) such security (including any Reference Obligation of a Single Obligation Synthetic Security) is not a Guaranteed Residential Mortgage-Backed Security;

**Single Servicer**

(20) with respect to the Servicer of the security being acquired, such Servicer qualifies for inclusion in one of paragraphs (A), (B), (C) and (D) below and:

(A) if the Servicer is ranked (1) "Strong" or has a credit rating of "AA-" or higher by Standard & Poor's and (2) "SQ1" or has a credit rating of "Aa3" or higher by Moody's, the Aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer (together with the Aggregate Principal Balance of any Single Obligation Synthetic Securities the Reference Obligations of which are such securities) does not exceed the greater of 16% of the Net Outstanding Portfolio Collateral Balance and U.S.$800,000,000;

(B) if the Servicer (1) is ranked (x) "Above Average" or higher or has a credit rating of "A-" or higher by Standard & Poor's and (y) "SQ2" or higher or has a credit rating of "A3" or higher by Moody's and (2) does not meet the ratings requirements of clause (A), the Aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer (together with the Aggregate Principal Balance of any Single Obligation Synthetic Securities the Reference Obligations of which are such securities) does not exceed the greater of 10% of the Net Outstanding Portfolio Collateral Balance and U.S.$500,000,000;

(C) if the Servicer is any of Countrywide Financial Corporation, Wells Fargo Bank, National Association, GMAC Mortgage Corporation, Citigroup or Bank of America (or an affiliate of such Servicer that is required to perform the servicing obligations of such Servicer), the Aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by any three such Servicers (together with the Aggregate Principal Balance of any Single Obligation Synthetic Securities the Reference Obligations of which are such securities) in the aggregate does not exceed the greater of 70% of the Net Outstanding Portfolio Collateral Balance and U.S.$3,500,000,00 (and the Pledged Collateral Debt Securities serviced by such Servicers shall not be subject to or included in the limitations set forth in paragraph (A) or (B) above with respect to this clause (20)); or

(D) if the Servicer is Countrywide Financial Corporation or Wells Fargo Bank, National Association (or an affiliate of such Servicer that is required to perform the servicing obligations of such Servicer), the Aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by each such Servicer (together with the Aggregate Principal Balance of any Single Obligation Synthetic Securities the Reference Obligations of which are such securities) does not exceed the greater of 25% of the Net Outstanding Portfolio Collateral Balance and U.S.$1,250,000,000 (and the Pledged Collateral Debt Securities serviced by each such Servicer shall not be subject to or included in the limitations set forth in paragraph (A), (B) or (C) above with respect to this clause (20));

**Synthetic Securities**

(21) if such security is a Synthetic Security, then (A) such Synthetic Security is (i) acquired from (or entered into with) a Synthetic Security Counterparty, (ii) a Single Obligation Synthetic Security and (iii) a Defeased Synthetic Security, (B) the Aggregate Principal Balance of all Pledged Collateral Debt Securities constituting Synthetic Securities acquired from (or entered into with) any single Synthetic Security Counterparty and its affiliates does not exceed 5% of the Net Outstanding Portfolio Collateral Balance, (C) the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are Synthetic Securities does not exceed 10% of the Net Outstanding Portfolio

Collateral Balance and (D) any Reference Obligation to which such Synthetic Security relates would (treating the acquisition of the Synthetic Security as acquisition of the Reference Obligation from the Synthetic Security Counterparty) satisfy clauses (7) and (8) of the Eligibility Criteria;

**Frequency of Interest Payments**

(22) such security provides for periodic payments of interest in cash not less frequently than monthly, *provided* that such security may provide for (i) quarterly periodic payments in cash if the Aggregate Principal Balance of all such Collateral Debt Securities (together with the Aggregate Principal Balance of all Synthetic Securities related thereto) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance and (ii) periodic payments in cash less frequently than quarterly (but not less frequently than semi-annually) if the Aggregate Principal Balance of all such Collateral Debt Securities (together with the Aggregate Principal Balance of all Synthetic Securities related thereto) does not exceed 0% of the Net Outstanding Portfolio Collateral Balance;

**No Step-Down Bonds/Step-Up Bonds**

(23) such security (including any Reference Obligation of a Single Obligation Synthetic Security) is not a Step-Up Bond or a Step-Down Bond;

**No Interest Rate Caps**

(24) such security does not have a cap on its interest rate (excluding caps based on available funds or calculated based on scheduled interest expected to be received on the underlying collateral);

**Collateral Quality Tests**

(25) after the Ramp-Up Completion Date, each of the applicable Collateral Quality Tests and the Standard & Poor's CDO Monitor Test is satisfied after giving effect to such acquisition or, if immediately prior to such acquisition one or more of such Collateral Quality Tests or the Standard & Poor's CDO Monitor Test was not satisfied, the extent of non-compliance with any such Collateral Quality Test or the Standard & Poor's CDO Monitor Test is not made worse by such acquisition;

**Residential Mortgage-Backed Securities**

(26) such security is a Residential A Mortgage Security;

**Limitation on Stated Maturity**

(27) (i) such security does not have a Stated Maturity that occurs later than 5 years after the Stated Maturity of the Notes; and (ii) if such security has a Stated Maturity that occurs after the Stated Maturity of the Notes (a) such security is expected (in the reasonable determination of the Collateral Manager) to have received all payments of principal thereunder prior to the Stated Maturity of the Notes and (b) the Aggregate Principal Balance of all such Collateral Debt Securities (together with the Aggregate Principal Balance of each Single

Obligation Synthetic Security the Reference Obligation of which is such a security) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance; *provided* that the Aggregate Principal Balance of all such Collateral Debt Securities (together with the Aggregate Principal Balance of each Single Obligation Synthetic Security the Reference Obligation of which is such a security) which, when using a prepayment assumption of 5% CPR (constant prepayment rate) for the loans underlying the Collateral Debt Security, would not be expected to receive all payments of principal thereunder by the Stated Maturity of the Notes may not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

**No PIK Bonds** (28) such security is not a PIK Bond;

**Floating Rate Securities** (29) such security is a Floating Rate Security that is neither an Inverse Floating Rate Security nor a Non-LIBOR Floating Rate Collateral Debt Security;

**Single Issuer Concentration** (30) after giving effect to acquisition of such security, the Aggregate Principal Balance of all Pledged Collateral Debt Securities (together with the Aggregate Principal Balance of each Single Obligation Synthetic Security the Reference Obligation of which is such a security) that are part of the same Issue of Collateral Debt Securities does not exceed the greater of 2% of the Net Outstanding Portfolio Collateral Balance and U.S.$100,000,000;

**Weighted Average Life** (31) the Weighted Average Life of all Pledged Collateral Debt Securities does not exceed 8 years;

**No Principal Only Securities** (32) such security (including any Reference Obligation of a Single Obligation Synthetic Security) is not a Principal Only Security;

**No Negative Amortization Securities** (33) such security (including any Reference Obligation of a Single Obligation Synthetic Security) is not a Negative Amortization Security;

| | |
|---|---|
| **Coverage Tests** | (34) after giving effect to such acquisition, if such security is acquired (i) on or after the Ramp-Up Completion Date, each of the Overcollateralization Tests is satisfied or (ii) on and after the Quarterly Distribution Date immediately following the Ramp-Up Completion Date, each of the Interest Coverage Tests is satisfied or, in each case, if immediately prior to such acquisition one or more of such Overcollateralization Tests or Interest Coverage Tests, as applicable, was not satisfied, the extent of non-compliance with any such Coverage Test is not made worse by such acquisition; *provided* that, in connection with the reinvestment of sale proceeds of a Defaulted Security, each of the Coverage Tests must be passing immediately before and after such reinvestment; |
| **No Toggle Floater Securities** | (35) such security (including any Reference Obligation of a Single Obligation Synthetic Security) is not a Toggle Floater Security; |
| **Cap Corridor Securities** | (36) if such security is a Cap Corridor Security (including any Reference Obligation of a Single Obligation Synthetic Security), the Maximum Cap Rate Test is satisfied; and |
| **No Indices** | (37) such security is not an Index Synthetic Security. |

If the Issuer enters into a transaction during the Ramp-Up Period to acquire a security on a forward sale basis, 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 agreed to with the party from which the Issuer is purchasing such security, irrespective of whether such price represents the market value of such security on the date on which such security is delivered to the Issuer. The Collateral Manager shall determine that a security satisfies the Eligibility Criteria on the date the forward sale transaction is initially entered into by the Issuer.

In the case of a commitment made after the Closing Date, if the Issuer has made a commitment to acquire a security, then the Eligibility Criteria need not be satisfied when the Issuer Grants such security to the Trustee if (A) the Issuer acquires such security within, in the case of new issuances of mortgage-backed securities, 45 days, and otherwise, 30 days, of making the commitment to acquire such security and (B) the Eligibility Criteria were satisfied immediately after the Issuer made such commitment. With respect to paragraphs (5), (20) through (22), (27), (30) and (31) above, if at any time during the Reinvestment Period any requirement set forth therein is not satisfied immediately prior to the acquisition of the related securities, such requirement is deemed satisfied if the extent of non-compliance with such requirement is not made worse after giving effect to such acquisition.

In the case of an investment by the Issuer in a Synthetic Security, the Eligibility Criteria will be applicable to the Reference Obligation rather than to the Synthetic Security or the Synthetic Security Collateral, except that, to the extent provided above and for purposes of the Collateral Quality Tests other than the Moody's Asset Correlation Test, the Eligibility Criteria will take into account the terms of the Synthetic Security. See "—Synthetic Securities."

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

The Issuer may not acquire any Collateral Debt Security from the Collateral Manager, the Trustee or any affiliate thereof, unless such acquisition is made (a) on an "arm's-length basis" or (b) pursuant to the warehouse agreement entered into prior to the Closing Date. Acquisitions or dispositions of Collateral Debt Securities in the manner specified in "— Dispositions of Collateral Debt Securities"— will be deemed to have met these standards.

Upon the termination of a Synthetic Security, any Synthetic Security Collateral that does not consist of cash or Eligible Investments and which is not liquidated in connection with the termination of the Synthetic Security will be transferred to the Custodial Account and held therein as Collateral Debt Securities and disposed of only in accordance with "— Disposition of Collateral Debt Securities."

Certain Definitions

"Aggregate Principal Balance" means, when used with respect to any Pledged Securities or Collateral Debt Securities as of any date of determination, the sum of the Principal Balances on such date of determination of all such Pledged Securities or Collateral Debt Securities.

"Cap Corridor Security" means a Residential Mortgage-Backed Security (i) that, although providing for the payment of interest based on the London interbank offered rate, caps interest payable on any distribution date at the weighted average net interest rate on its underlying assets, (ii) all or a substantial portion of the underlying assets of which bear interest at a fixed rate and (iii) the issuer of which has entered into one or more interest rate caps or yield maintenance agreements, each of which generally provides for payments to the issuer on each distribution date at the London interbank offered rate, subject, however, to a minimum strike price and a maximum cap rate, and calculated on a notional balance reflecting the principal balance of those underlying assets covered by such cap or agreement (which may be a precalculated amortization schedule set based on an expected prepayment rate for such underlying assets).

"Eligible Investments" include any Dollar-denominated investment that is one or more of the following (and may include investments for which the Trustee and/or its affiliates or the Collateral Manager and/or its affiliates provides services or receives compensation):

(a) cash;

(b) direct Registered obligations of, and Registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States;

(c) demand and time deposits in, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or Federal funds sold by any depository institution or trust company incorporated under the laws of the United States (including LaSalle Bank National Association) 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 "Aaa" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "AAA" by Standard & Poor's in the case of long-term debt obligations, or "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's (or "A-1" in the case of overnight time deposits offered by LaSalle Bank National Association) 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 and not less than "Aa1" by Moody's (and, if such rating is "Aa1," such rating is not on watch for possible downgrade by Moody's);

(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 "Aaa" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "AAA" by Standard & Poor's or whose short term credit rating is "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's at the time of such investment; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa1" by Moody's (and, if such rating is "Aa1," 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 "Aa1" by Moody's (and, if such rating is "Aa1," 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 (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa1" by Moody's (and, if such rating is "Aa1," such rating is not on watch for possible downgrade by Moody's) and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's;

(g) Registered reinvestment agreements issued or unconditionally guaranteed by any bank, or a Registered reinvestment agreement issued or unconditionally guaranteed by any insurance company or other corporation or entity organized under the laws of the United States or any state thereof (if treated as debt by the issuer), 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 if such security has a maturity of longer than 91 days, the issuer or guarantor 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 "Aa1" by Moody's (and, if such rating is "Aa1," such rating is not on watch for possible downgrade by Moody's); and

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

and, in each case (other than clause (a), (g) or (h)), with a stated maturity or, in the case of clause (g), a withdrawal date (in each case giving effect to any applicable grace period) no later than the Business Day immediately preceding the Distribution Date next following the Due Period in which the date of investment occurs; *provided* that Eligible Investments may not include (a) any mortgaged-backed security, (b) any security that does not provide for payment or repayment of a stated principal amount in one or more installments, (c) any security purchased at a price in excess of 100% of the par value thereof, (d) any investment the income from or proceeds of disposition of which is or will be subject to reduction for or on account of any withholding or similar tax, (e) any security the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will subject the Issuer to net income tax in any jurisdiction, (f) any Floating Rate Security (other than the time deposits described in paragraph (c) above) whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index *plus* or *minus* a spread; (g) any security whose rating by Standard & Poor's includes the subscript "r," "t," "p," "pi" or "q," (h) any security that is subject to an Offer; (i) any security that the Collateral Manager determines to be subject to substantial non-credit-related risk as determined in the sole judgment of the Collateral Manager; or (j) any Interest Only Securities. Eligible Investments may be obligations of, and may be purchased in arms'-length transactions 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 Collateral Debt Securities organized in a Special Purpose Vehicle Jurisdiction shall not be an Emerging Market Issuer for purposes hereof if the underlying collateral of such Collateral Debt Securities consists solely of (x) obligations of obligors located in the United States and (y) obligations of Qualifying Foreign Obligors.

"Floating Rate Security" means any Collateral Debt Security that is expressly stated to bear interest based on a floating rate index for Dollar denominated obligations commonly used as a reference rate in the United States or the United Kingdom. A Defeased Synthetic Security will be treated as a Floating Rate Security (which, with respect to a Defeased Synthetic Security that is a credit default swap will, for purposes of the Weighted Average Spread Test, have a spread over the London Interbank Offered Rate calculated based on the "fixed rate" payable by the Synthetic Security Counterparty under such credit default swap and the payments to the Issuer in respect of the related Synthetic Security Collateral to the extent that they exceed the London Interbank Offered Rate).

"Guaranteed Residential Mortgage-Backed Security" means a Residential Mortgage-Backed Security as to which the timely payment of interest when due and the payment of principal no later than the stated maturity thereof is unconditionally and irrevocably guaranteed by (i) a corporation, (ii) a national banking association, (iii) a financial guarantee insurance company or (iv) an insurance company that writes more than one line or type of insurance.

"Index Synthetic Security" means a Synthetic Security which references a recognized index of Reference Obligations on which transactions are made in the credit derivatives market.

"Inverse Floating Rate Security" means a floating rate security whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index *plus* a spread.

"Issue of Collateral Debt Securities" means Collateral Debt Securities issued by the same issuer, secured by the same collateral pool. For Single Obligation Synthetic Securities, the issuer shall be determined based on the Reference Obligation rather than the Synthetic Security.

"Margin Stock" means "margin stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System.

"Maximum Cap Rate Test" means a test satisfied if, on any Measurement Date on or after the Ramp-Up Completion Date, (A) the sum (expressed as a percentage) (rounded up to the next 0.001%) of (I) the amount obtained by (a) summing the products obtained by multiplying (x) the maximum cap rate for each such Cap Corridor Security and (y) the outstanding Principal Balance of such Cap Corridor Security and (b) dividing such sum by the Aggregate Principal Balance of all such Cap Corridor Securities and (II) the amount obtained by

(a) summing the products obtained by multiplying (x) for each interest rate cap Hedge Agreement entered into by the Issuer, the excess of (i) the maximum cap rate on such interest rate cap and over (ii) the low cap rate on such interest rate cap and (y) the notional amount of such interest rate cap Hedge Agreement and (b) dividing such sum by the aggregate notional amount of all such interest rate cap Hedge Agreements, is equal to or greater than 20% and (B) (I) the amount (expressed as a percentage) (rounded up to the next 0.001%) obtained by (a) summing the products obtained by multiplying (x) for each interest rate cap Hedge Agreement entered into by the Issuer, the low cap rate on such interest rate cap and (y) the notional amount of such interest rate cap and (b) dividing such sum by the aggregate notional amount of all such interest rate caps, is less than or equal to (II) the amount (expressed as a percentage) (rounded up to the next 0.001%) obtained by (a) summing the products obtained by multiplying (x) the maximum cap rate for each such Cap Corridor Security and (y) the outstanding Principal Balance of such Cap Corridor Security and (b) dividing such sum by the Aggregate Principal Balance of all such Cap Corridor Securities. For purposes of this definition, any Cap Corridor Security that does not have a maximum cap rate shall not be included.

"Moody's Rating Trigger" means that the rating assigned by Moody's to any Class of Notes on the Closing Date has been (i) withdrawn, (ii) reduced by at least one subcategory in the case of the Class A-1 Notes, the Class A-2 Notes or the Class B Notes, or (iii) reduced by two or more subcategories in the case of the Class X Notes or the Class C Notes, in each case from the rating assigned by Moody's on the Closing Date (and such rating has not been (1) with respect to the Class A-1 Notes, the Class A-2 Notes or the Class B Notes, restored to the rating assigned by Moody's on the Closing Date, or (2) with respect to the Class X Notes or the Class C Notes, restored within one subcategory of the rating assigned by Moody's on the Closing Date).

"Offer" means with respect to any security, (i) any offer by the issuer of such security or by any other person made to all of the holders of such security to purchase or otherwise acquire such security (other than pursuant to any redemption in accordance with the terms of the related Underlying Instruments) or to convert, exchange or tender such security into or for cash, securities or any other type of consideration or (ii) any solicitation by the issuer of such security or any other person to amend, modify or waive any provision of such security or any related Underlying Instrument.

"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.

"Rating Condition" means a condition that is satisfied when each of Standard & Poor's and Moody's (or if expressly specified in respect of any action, the specified Rating Agency) has confirmed prior to the taking of such action in writing that such action will not result in the withdrawal, reduction, qualification or other adverse action with respect to any then-current rating by such Rating Agency of any Class of Notes.

"Registered" means such security is in registered form for U.S. Federal tax purposes and was issued after July 18, 1984; *provided* that a certificate of interest in a trust

treated as a grantor trust for U.S. Federal tax purposes will not be treated as Registered unless each of the obligations or securities held by such trust was issued after July 18, 1984.

"Servicer" means with respect to any Collateral Debt Security, the entity that, absent any default, event of default or similar condition (however described), is primarily responsible for managing, servicing, monitoring and otherwise administering the cash flows from which payments to investors in such Collateral Debt Securities are made. For purposes of the Servicer rating, a Servicer shall be deemed to be a master servicer.

"Special Purpose Vehicle Jurisdiction" means (a) the Cayman Islands, the Bahamas, Bermuda, the British Virgin Islands, Guernsey, Jersey, Luxembourg, the Netherlands Antilles or the Channel Islands and (b) any other jurisdiction (x) that is commonly used as the place of organization of special or limited purpose vehicles that issue asset-backed securities, (y) that generally imposes no or nominal tax on the income of special-purpose vehicles and (z) the designation of which as a Special Purpose Vehicle Jurisdiction satisfies the Rating Condition.

"Step-Down Bond" means a security which by the terms of the related Underlying Instrument provides for a decrease in the spread over the applicable index 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 spread over the applicable index at all times after the date of acquisition by the Issuer. In calculating any Collateral Quality Test by reference to the spread of a Step-Down Bond, the spread on any date shall be deemed to be the lowest spread 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 spread over the applicable index 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 spread over the applicable index at all times after the date of acquisition by the Issuer. In calculating any Coverage Test or Collateral Quality Test by reference to the spread of a Step-Up Bond, the spread n on any date shall be deemed to be the spread stated to be payable in cash and in effect on such date.

"Toggle Floater Security" means any Residential Mortgage-Backed Security that contains an embedded rate cap and provides that the interest coupon on such security is reduced to zero or otherwise substantially reduced in the event that the relevant cap rate is reached.

**Collateral Debt Securities**

General

The Collateral Debt Securities (and the Reference Obligations under the Synthetic Securities) will consist of Residential A Mortgage Securities ("Residential Mortgage-Backed Securities").

The rate of interest payable on Residential Mortgage-Backed Securities may be set or effectively capped at the weighted average net coupon of the underlying mortgage loans themselves, often referred to as an "available funds cap." As a result of this cap, the return to investors is dependent on the relative timing and rate of delinquencies and prepayments of

mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater impact on the yield to the Issuer on such Residential Mortgage-Backed Securities. Federal and state law may also affect the return to investors by capping the interest rates payable by certain mortgagors. Most of the Residential Mortgage-Backed Securities which the Issuer may purchase are subject to such available funds caps or other caps on the interest rate payable to holders of such securities. The effect of such caps is to reduce the rate at which interest is paid to the holders of such securities (including the Issuer), which would have an adverse effect on the Issuer's ability to pay interest on the Notes. It is expected that substantially all of the Collateral Debt Securities on the Closing Date will consist of Cap Corridor Securities.

The collateral underlying Residential Mortgage-Backed Securities generally consists of a large, diversified pool of residential mortgage loans or home equity loans secured by one- to four- family residential properties. The mortgage loans themselves may earn interest at fixed, floating or hybrid rates, and provide for full amortization, negative amortization or partial amortization of principal with a balloon payment at maturity.

Residential Mortgage-Backed Securities transactions may provide that the resulting interest shortfalls be applied to reduce the entitlement of securityholders to payment of such amounts. Furthermore, such reduction in entitlement to interest payments may be allocated on a *pro rata* basis among all classes of securities, irrespective of their relative seniority.

Residential Mortgage-Backed Securities transactions may be structured without overcollateralization. If the interest rate payable on the securities is capped at the coupon on the mortgage loan pool, there will not be any excess spread available to cover losses. The sole source of credit support available to a class of securityholders is provided by subordination of more junior classes of securities. Principal on the securities will be written down by losses on the mortgage loan pool, in inverse order of priority. Writedown of the principal balance of a class of securities reduces the amount of interest that would otherwise have been payable to such class at the applicable coupon. In addition, underlying mortgage loans may be segregated into two or more mortgage loan subpools, each of which provides funds for payment of one or more designated classes of securities. These classes may not be fully cross-collateralized. As a result, higher losses and delinquencies experienced by a mortgage loan subpool may have a disproportionate effect on certain classes of securities, although the total underlying mortgage loan pool may be performing within expectations.

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

Local and national economic and demographic factors will impact prepayment rates on residential mortgage loans. Declining interest rates, job transfers and changes in

housing needs may result in increased prepayments resulting from loan refinancing or from sale of the underlying mortgaged property. Increased interest rates and unemployment may increase default rates. Decreases in real estate values will result in increases in losses realized on foreclosure on the mortgaged properties following such defaults. Uninsurable natural disasters, such as earthquakes, hurricanes, and floods may also increase delinquencies and defaults and, ultimately, losses realized on foreclosure on the underlying mortgaged property. Residential mortgage loan pools with high concentrations in areas impacted by demographic shifts, economic changes and natural disasters will be disproportionately affected by resulting delinquencies, prepayments and losses.

Political events can also impact the performance of a residential mortgage loan pool. Military action by the United States in Iraq and other regions will affect the impact of the Relief Act on interest payable on a pool of residential mortgage loans. Terrorist attacks in the United States may result in Federal agencies and servicers deferring, reducing or forgiving payments or delaying foreclosure proceedings with respect to mortgagors adversely affected by possible future events.

Certain interest rate features of many mortgage loans may increase credit, liquidity and interest rate risk with respect to residential mortgage-backed transactions. Mortgage loans may be structured with balloon payments, which increase the likelihood of default by the borrower at maturity. A number of mortgage loans, known as "hybrid" mortgage loans, convert from fixed to floating rates after a fixed period of time or may, at the option of the borrower, be converted to another rate. See "Risk Factors—Hybrid Securities." In addition, floating rate mortgage loans may be priced off of a wide variety of interest rates, which make it difficult to predict expected future interest on a mortgage loan portfolio. Certain mortgage loans contain negative amortization provisions which result in capitalization of interest. In certain residential mortgage-backed transactions, negative amortization of mortgage loans in the underlying mortgage pool will result in an equivalent increase in the principal balance of the Residential Mortgage-Backed Securities themselves, effectively resulting in capitalization of interest on the Residential Mortgage-Backed Securities. See "Risk Factors—Negative Amortization Securities." Certain Residential Mortgage-Backed Securities, referred to as "Cap Corridor Securities," may be characterized as Floating Rate Securities, but under certain interest rate and prepayment scenarios, expose the Issuer to the risks associated with Fixed-Rate Securities. See "Risk Factors—Cap Corridor Securities."

Some subprime residential mortgage loan transactions include mortgage loans with high loan-to-value ratios and/or junior lien positions, which will affect loss severity on the occurrence of a default. Consumer laws pose additional risks to transactions backed by mortgage loans to borrowers with poor credit ratings. These mortgage loans typically carry higher rates of interest and may be classified as "high cost loans." High cost loans may be subject to certain rules, disclosure requirements and other provisions added to the Federal Truth-in Lending Act by the Home Ownership Protection Act of 1994 and similar state laws. Other Federal and state laws also regulate disclosure and lending practices with respect to mortgage loans. See "Risk Factors—Residential Mortgage-Backed Securities." Purchasers of high-cost loans, including the issuer of a Residential Mortgage-Backed Securities transaction, could be liable for all claims and subject to all defenses that the borrower could assert against the originator of the mortgage loan.

"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 thereof) 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 thereof) 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.

**Synthetic Securities**

The Issuer does not expect to enter into any Synthetic Securities on the Closing Date, but may enter into Synthetic Securities after the Closing Date, so long as entry into any such Synthetic Security does not cause the Aggregate Principal Balance of the Synthetic Securities to exceed 10% of the Net Outstanding Portfolio Collateral Balance. All Reference Obligations with respect to Synthetic Securities will be Residential Mortgage-Backed Securities. The Issuer expects, but is not obligated to, enter into Form-Approved Synthetic Securities that are "pay-as-you-go" credit default swaps (each, a "Credit Default Swap") under which the Issuer "sells" credit protection to a Synthetic Security Counterparty. Under each Credit Default Swap, the Issuer and the Synthetic Security Counterparty would make the following payments: (i) the Synthetic Security Counterparty would pay to the Issuer a specified fixed rate on the notional amount of the Synthetic Security (provided that the amount paid would be reduced by the amount of any interest shortfall on the Reference Obligation), (ii) the Issuer would pay to the Synthetic Security Counterparty the amount of any principal not paid at the maturity of the

Reference Obligation and the amount of any writedown of the principal amount or certificate balance of the Reference Obligation (or, if the Reference Obligation does not provide for such writedowns, the Issuer would pay the "implied writedown amount," which is an estimate of the amount by which the Reference Obligation is undercollateralized), (iii) in certain circumstances, if the principal that was not paid at maturity on the Reference Obligation, or the principal writedown, is subsequently paid or reinstated by the Reference Obligor within a specified period of time after the Issuer has paid the amount thereof to the Synthetic Security Counterparty, the counterparty will be obligated to reimburse (a "Principal Shortfall Reimbursement Payment") the Issuer for the amount paid (without interest) and (iv) if a specified "credit event" occurs, the Issuer will, at the option of the Synthetic Security Counterparty, be required to purchase the Reference Obligation from the Synthetic Security Counterparty at a price equal to the principal amount or certificate balance thereof. The foregoing is only a summary of possible terms of a Form-Approved Synthetic Securities based on the "pay-as-you-go" template in existence on the date of this Offering Circular. It does not purport to be complete, and there is no guarantee that any Form-Approved Synthetic Securities will in fact contain these terms.

In connection with the entry by the Issuer into each Credit Default Swap, to secure its obligations to the Synthetic Security Counterparty under the Credit Default Swap, the Issuer will establish a Synthetic Security Counterparty Account and deposit therein cash in an amount equal to the notional amount of the Credit Default Swap. Such amounts will be invested in Synthetic Security Collateral. No Synthetic Security Counterparty will not have recourse to any assets of the Issuer other than amounts in the Synthetic Security Counterparty Account relating to the applicable Credit Default Swap transaction. The Issuer may, but is not required to, enter into a related total return swap pursuant to which the counterparty would make a LIBOR based payment to the Issuer in exchange for the interest income on Synthetic Security Collateral selected by such counterparty.

The Issuer may amend the terms of any Synthetic Securities and may enter into Synthetic Securities that are not Credit Default Swaps and that differ in material respects from the terms summarized herein.

"Form Approved Synthetic Security" means one or more Synthetic Securities, the form of the documents in respect of which either (i) was delivered to the Rating Agencies prior to the Closing Date in connection with this transaction, approved in writing by Standard & Poor's and not disapproved by any other Rating Agency or (ii) has satisfied the Rating Condition with respect to Moody's and Standard & Poor's for use in this transaction; *provided* that (i) if Standard & Poor's or Moody's notifies the Trustee or the Collateral Manager that it has withdrawn form-approved status with respect to a particular Form Approved Synthetic Security, then the Issuer shall no longer use such form as a Form Approved Synthetic Security; and *provided*, further, that such withdrawal of form-approved status shall not affect the status of any Synthetic Security entered into by the Issuer using such form prior to the withdrawal of form-approved status; and (ii) the Reference Obligation of each such Form Approved Synthetic Security shall be a Residential Mortgage-Backed Security.

"Single Obligation Synthetic Security" means a Synthetic Security that references only one Reference Obligation.

"Synthetic Security" means any credit default swap or total return swap or a combination of both 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; *provided* that (a) such Synthetic Security is a Defeased Synthetic Security; (b) such Synthetic Security is a Single Obligation Synthetic Security; (c) such Synthetic Security has a Moody's Rating and a Standard & Poor's Rating and the Rating Condition with respect to Standard & Poor's has been satisfied with respect to entry by the Issuer into such Synthetic Security or such Synthetic Security is a Form Approved Synthetic Security; (d) if such Synthetic Security is not a Form Approved Synthetic Security, the Trustee has been notified in writing of the Applicable Recovery Rate and Moody's Rating Factor assigned by Moody's and the Applicable Recovery Rate assigned by Standard & Poor's; (e) as of the date of the Issuer's acquisition of or entry into the Synthetic Security, no amount receivable by the Issuer from the Synthetic Security Counterparty will be subject to withholding tax, unless the Synthetic Security Counterparty is required to make additional payments sufficient to cover (on an after-tax basis) any withholding tax imposed at any time; (f) the acquisition (including the manner of acquisition), ownership, entry into, holding, disposition and enforcement of such Synthetic Security will not subject the Issuer to taxation on a net income tax basis in any jurisdiction outside of its jurisdiction of incorporation or cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. Federal income tax purposes; (g) the agreements relating to such Synthetic Security contain "non-petition" and "limited recourse" provisions with respect to the Issuer; and (h) the agreements relating to such Synthetic Security provide for, on the first day of each payment period under such Synthetic Security, the full payment of all amounts owing for such period by the Synthetic Security Counterparty to the Issuer into the Synthetic Security Issuer Account.

"Synthetic Security Counterparty" means any entity that (i) is required to make one or more payments on a Synthetic Security and (ii) on the date such Synthetic Security is acquired (or entered into) by the Issuer, such entity (or the guarantor of such entity's obligations under such Synthetic Security) (a)(1) is rated at least "A" by Standard & Poor's or has a short-term issuer credit rating from Standard & Poor's of at least "A-1" (provided that such Synthetic Security Counterparty satisfies the other requirements of a Form-Approved Synthetic Security with respect to Standard & Poor's; and if such requirements are not satisfied, such entity or its guarantor must have ratings which satisfy the Rating Condition with respect to Standard & Poor's) and (2) has a long-term unsecured debt rating from Moody's of at least "A1" (and not on credit watch for downgrade) and a short-term unsecured debt rating from Moody's of "P1" (and not on credit watch for downgrade), or, if such entity (or the guarantor of such entity) does not have a short-term unsecured rating from Moody's, has a long-term unsecured debt rating from Moody's of at least "Aa3" (and not on credit watch for downgrade) or (b) the selection of such entity satisfies the Rating Condition with respect to any Rating Agency for which the foregoing requirement is not satisfied.

"Synthetic Security Agreement" means, with respect to a Synthetic Security, any agreement between the Issuer and a Synthetic Security Counterparty providing for credit protection with respect to such Synthetic Security.

"Reference Obligation" means any security referenced by a Synthetic Security.

"Reference Obligor" means, with respect to a Reference Obligation, the obligor on such Reference Obligation.

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 Weighted Average Spread Test, the interest payable with respect to a Synthetic Security shall include interest on securities credited to any Synthetic Security Counterparty Account that are not otherwise payable to a Synthetic Security Counterparty, payments to the Issuer under any related total return swap and the fixed payments to be paid by a Synthetic Security Counterparty to the Issuer under a Synthetic Security.

For purposes of determining the rating of a Defeased Synthetic Security that is a Single Obligation Synthetic Security, each such Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation or Reference Obligor.

For purposes of the Collateral Quality Tests other than the Moody's Asset Correlation Test, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation(s), Reference Obligor or Synthetic Security Collateral.

For purposes of the Moody's Asset Correlation Test and the Standard & Poor's CDO Monitor Test, unless otherwise specified, a Single Obligation Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation (and the issuer thereof will be deemed to be the related Reference Obligor and not the Synthetic Security Counterparty).

For purposes of the Eligibility Criteria (except as expressly otherwise provided in the Eligibility Criteria) a Single Obligation Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation rather than the Synthetic Security or the Synthetic Security Collateral, and the issuer thereof will be deemed to be the related Reference Obligor and not the Synthetic Security Counterparty). The Eligibility Criteria will not apply to any purchase of Synthetic Security Collateral.

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**

On the Ramp-Up Completion Date, in addition to the requirement to satisfy the Eligibility Criteria, the Issuer will be required to satisfy the Collateral Quality Tests. The failure to satisfy any of the Collateral Quality Tests or the Eligibility Criteria as of the Ramp-Up Completion Date would not constitute an Event of Default but such failure could result in a Rating Confirmation Failure and, consequently, the repayment or redemption of a portion of the Notes in accordance with the Priority of Payments. See "Security for the Notes—Ramp-Up Period" and "Description of the Notes—Mandatory Redemption."

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

Ratings Matrix. On any Measurement Date on or after the Ramp-Up Completion Date, any of the rows of the table below (each a "Ratings Matrix"), one of which (as designated from time to time by the Collateral Manager, on behalf of the Issuer) shall be applicable for purposes of determining compliance with the Moody's Asset Correlation Test and the Moody's Maximum Rating Distribution Test as described below. The maximum Moody's Asset Correlation Factor required to satisfy the Moody's Asset Correlation Test (the "Designated Maximum Moody's Asset Correlation Factor") and the maximum Moody's Maximum Rating Distribution required to satisfy the Moody's Maximum Rating Distribution Test (the "Designated Moody's Maximum Rating Distribution") for each Rating Matrix are set forth opposite such Rating Matrix in the table below:

| Ratings Matrix | Designated Maximum Moody's Asset Correlation Factor | Designated Moody's Maximum Rating Distribution |
|---|---|---|
| 1 | 35% | 3 |
| 2 | 36% | 2 |
| 3 | 38% | 1 |

Moody's Asset Correlation Test. The "Moody's Asset Correlation Test" will be satisfied on the Ramp-Up Completion Date and any Measurement Date thereafter if the Moody's Asset Correlation Factor on such Measurement Date (calculated based on a model that assumes 50 separate obligors is equal to or less than the Designated Maximum Moody's Asset Correlation Factor for any of Ratings Matrix 1, 2 or 3; *provided* that the applicable Moody's Maximum Rating Distribution on such Measurement Date is equal to or less than the Designated Moody's Maximum Rating Distribution for the same Ratings Matrix. The "Moody's Asset Correlation Factor" is a percentage determined in accordance with any of the one or more asset correlation methodologies provided from time to time to the Collateral Manager and the Collateral Administrator by Moody's.

Moody's Maximum Rating Distribution Test. The "Moody's Maximum Rating Distribution Test" will be satisfied on the Ramp-Up Completion Date and any Measurement Date thereafter if the Moody's Maximum Rating Distribution of the Collateral Debt Securities as of such Measurement Date is equal to or less than the Designated Moody's Maximum Rating Distribution for any of Ratings Matrix 1, 2 or 3; *provided* that the applicable Moody's Asset Correlation Factor on such Measurement Date is equal to or less than the Designated Maximum Moody's Asset Correlation Factor for the same Ratings Matrix. The "Moody's Maximum Rating Distribution" on any such Measurement Date is the number determined by *dividing* (i) the summation of the series of products obtained for any Pledged Collateral Debt Security that is not a Defaulted Security or Written Down Security, by *multiplying* (1) the principal balance as of

such Measurement Date of each such Pledged Collateral Debt Security *by* (2) its respective Moody's Rating Factor as of such Measurement Date *by* (ii) the Aggregate Principal Balance as of such Measurement Date of all Pledged Collateral Debt Securities that are not 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 at the date of acquisition thereof, the Moody's Rating Factor with respect to such Collateral Debt Security shall be 10,000 for a period of 90 days from the acquisition of such Collateral Debt Security. After such 90 day period, if such Collateral Debt Security is not rated by Moody's and no other security or obligation of the issuer thereof or obligor thereon is rated by Moody's and the Issuer or the Collateral Manager seeks to obtain an estimate of a Moody's Rating Factor, then the Moody's Rating Factor of such Collateral Debt Security will be deemed to be such estimate thereof as may be assigned by Moody's upon the request of the Issuer or the Collateral Manager; and

(b) With respect to any Synthetic Security the Moody's Rating Factor shall be determined as specified by Moody's at the time such Synthetic Security is acquired by the Issuer.

The "Moody's Rating" of any Collateral Debt Security is (i) if such Collateral Debt Security is rated (publicly or privately) by Moody's, such rating, and (ii) otherwise, a rating determined in accordance with a methodology more fully described in the Indenture.

The "Standard & Poor's Rating" of any Collateral Debt Security will, if such Collateral Debt Security is rated (publicly or privately) by Standard & Poor's, be such rating, and otherwise, a rating determined in accordance with a methodology more fully described in the Indenture.

Moody's Minimum Weighted Average Recovery Rate Test. The "Moody's Minimum Weighted Average Recovery Rate Test" will be satisfied if, on any Measurement Date on or after the Ramp-Up Completion Date, the Moody's Weighted Average Recovery Rate as of such Measurement Date is greater than or equal to 74%.

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

Weighted Average Spread Test. The "Weighted Average Spread Test" will be satisfied if, on the Interim Ramp-Up Test Date and on any Measurement Date on or after the Ramp-Up Completion Date, the Weighted Average Spread as of such Measurement Date is equal to or greater than 0.47%.

The "Weighted Average Spread" means, as of any Measurement Date, the sum (expressed as a percentage) (rounded up to the next 0.001%) of the amount obtained by (i) summing the products obtained by *multiplying* (x) the Current Spread with regard to each Pledged Collateral Debt Security that is a Floating Rate Security (other than a Defaulted Security or a Written Down Amount) as of such date *by* (y) the Principal Balance of such Pledged Collateral Debt Security as of such date, and (ii) *dividing* such amount *by* the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are Floating Rate Securities (excluding all Defaulted Securities and Written Down Amounts). For purposes of this definition (1) no contingent payment of interest will be included in such calculation, (2) in the case of any Floating Rate Security that does not bear interest at a rate expressed as a stated spread above a London Interbank Offered Rate, the interest rate payable on such Floating Rate Security on any Measurement Date shall be calculated as a spread above or below LIBOR and (3) if on such Measurement Date such rate is calculated as a spread below a London Interbank Offered Rate, such spread shall be expressed as a negative number for purposes of making the calculation described in clause (i) of the preceding sentence.

The "Current Spread" will, as of any date of determination, be with respect to a Floating Rate Security, the stated spread above or below the London Interbank Offered Rate or other applicable floating rate index for such Floating Rate Security at which interest accrues. For the purpose of this definition, in the determination of LIBOR, such definition shall be applied as if such Floating Rate Security were a Note and using an Interest Period based on the terms of such Floating Rate Security.

Weighted Average Life Test. The "Weighted Average Life Test" means a test satisfied if, on any Measurement Date on or after the Ramp-Up Completion Date, the Weighted Average Life of all Pledged Collateral Debt Securities is equal to or less than the number of years set forth in the table below opposite the period in which such Measurement Date occurs:

| As of any Measurement Date occurring during the period below: | Weighted Average Life (in years) |
|---|---|
| Ramp-Up Completion Date to and including January 2007 | 8 |
| Thereafter to and including January 2008 | 7 |
| Thereafter to and including January 2009 | 6 |
| Thereafter to and including January 2010 | 5 |
| Thereafter to and including January 2011 | 4 |
| Thereafter to and including January 2012 | 3 |
| Thereafter | 2 |

On any Measurement Date with respect to any Pledged Collateral Debt Securities, the "Weighted Average Life" is the number obtained by (i) *summing* the products obtained by *multiplying* (a) the Average Life at such time of each such Pledged Collateral Debt Security *by* (b) the outstanding principal balance of such Pledged Collateral Debt Security and (ii) *dividing* such sum *by* the Aggregate Principal Balance at such time of all such Pledged Collateral Debt Securities.

On any Measurement Date with respect to any Pledged Collateral Debt Security, the "Average Life" is the quotient obtained by the Collateral Manager *dividing* (i) the sum of the products of (a) the number of years (rounded to the nearest one tenth thereof) from such Measurement Date to the respective dates of each successive scheduled distribution of principal of such Pledged Collateral Debt Security and (b) the respective amounts of principal of such scheduled distributions *by* (ii) the sum of all successive scheduled distributions of principal on such Pledged Collateral Debt Security.

Standard & Poor's Minimum Recovery Rate Test. The "Standard & Poor's Minimum Recovery Rate Test" will be satisfied if, on any Measurement Date on or after the Ramp-Up Completion Date, the Standard & Poor's Recovery Rate for each specified Class of Notes as of such Measurement Date is equal to, or greater than, (a) with respect to the Class A-1 Notes and the Class A-2 Notes, 79%; (b) with respect to the Class B Notes, 84%; (c) with respect to the Class X Notes, 89.4%; and (d) with respect to the Class C Notes, 89.4%.

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 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 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 each Class Loss Differential of the Proposed Portfolio is positive or if any Class Loss Differential of the Proposed Portfolio is negative prior to giving effect to such sale or purchase, the extent of compliance is improved after giving effect to the sale or purchase of a Collateral Debt Security.

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

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

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

The "Proposed Portfolio" means the portfolio (measured by Principal Balance) of Pledged Collateral Debt Securities and Specified Assets resulting from the sale, maturity or other disposition of a Collateral Debt Security or a proposed acquisition of a Collateral Debt Security, as the case may be.

The "Current Portfolio" means the portfolio (measured by Principal Balance) of Pledged Collateral Debt Securities and Specified Assets existing immediately prior to the sale, maturity or other disposition of a Collateral Debt Security or immediately prior to the acquisition of a Collateral Debt Security, as the case may be.

"Specified Assets" means, at any time, (a) Principal Proceeds or Uninvested Proceeds held as cash and (b) Eligible Investments purchased with Principal Proceeds or Uninvested Proceeds.

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

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

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

**Dispositions of Collateral Debt Securities**

The Collateral Debt Securities may be retired prior to their respective final maturities due to, among other things, the existence and frequency of exercise of any optional or mandatory redemption features of such Collateral Debt Securities. In addition, pursuant to the Indenture, the Issuer may sell Collateral Debt Securities (including termination or assignment of Synthetic Securities) in the following circumstances:

(i) The Issuer may, at the direction of the Collateral Manager, sell (or, in the case of any Synthetic Security, exercise its right, if any, to terminate or assign) any Defaulted Security, Written Down Security, Credit Risk Security, Credit Improved Security or Equity Security at any time; *provided* that during the Reinvestment Period, the Collateral Manager shall use its commercially reasonable efforts to purchase, no later than 30 days after the sale of any Credit Risk Security, substitute Collateral Debt Securities with an Aggregate Principal Balance no less than the Sale Proceeds (net of any accrued interest included therein) from such sale in compliance with the Eligibility Criteria (other than the requirement of the Eligibility Criteria relating to the Standard & Poor's CDO Monitor Test); *provided further* that (a) during the Reinvestment Period, a Credit Improved Security may be sold only if, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), (I) the resulting Sale Proceeds will be reinvested within 15 Business Days of the sale of such Credit Improved Security, subject to compliance with the Eligibility Criteria, in one or more substitute Collateral Debt Securities having an Aggregate Principal Balance (together with the remaining such Sale Proceeds not so reinvested, and

exclusive of the accrued interest component of the Sale Proceeds) at least equal to 100% of the Principal Balance of the Credit Improved Security that was sold, (II) any such Sale Proceeds (exclusive of the accrued interest component of Sale Proceeds) not reinvested in one or more substitute Collateral Debt Securities within 15 Business Days of the sale of the Credit Improved Security will be transferred on the immediately succeeding Distribution Date to the Payment Account and applied as Principal Proceeds in accordance with the Priority of Payments, and (III) such sale and purchase shall be made in compliance with the Eligibility Criteria and any other criteria specified in the Indenture; (b) after the Reinvestment Period a Credit Improved Security may be sold (but the Sale Proceeds may not be reinvested) only if the Collateral Manager certifies to the Trustee in writing that (a) the Collateral Manager has determined that such security constitutes a Credit Improved Security and (b) on the date of such sale, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), the Sale Proceeds (net of any accrued interest included therein) from such sale will be equal to or greater than the principal balance of the Credit Improved Security being sold; and (c) in connection with the reinvestment of the proceeds of a sale of a Credit Improved Security during the Reinvestment Period, any determination of whether the extent of non-compliance with any of the Eligibility Criteria may not be made worse by such reinvestment shall be made by comparing the Collateral Debt Securities held by the Issuer immediately prior to the sale of such Credit Improved Security to the Collateral Debt Securities held by the Issuer immediately after such reinvestment; and *provided further* that during the Reinvestment Period, the Collateral Manager shall use commercially reasonable efforts to purchase, no later than 30 days after the sale of any Defaulted Security, substitute Collateral Debt Securities with an Aggregate Principal Balance no less than the Sale Proceeds (net of any accrued interest included therein) from such sale in compliance with the Eligibility Criteria.

(ii) The Issuer, at the direction of the Collateral Manager, shall sell (a) any Defaulted Security (or, in the case of any Synthetic Security that becomes a Defaulted Security, exercise its right, if any, to terminate or assign such Synthetic Security) within three years after such Collateral Debt Security became a Defaulted Security (or by such later date as such Defaulted Security may first be sold in accordance with its terms and applicable law) and (b) any Equity Security or other security or consideration received by the Issuer in exchange for a Defaulted Security (or any Synthetic Security that becomes a Defaulted Security) that is not Margin Stock and is not a security which may not be purchased under paragraph (7), (8) or (9) of the Eligibility Criteria within one year after the Issuer's receipt thereof (or within one year after such later date as such Equity Security may first be sold in accordance with its terms and applicable law);

(iii) The Issuer, at the direction of the Collateral Manager, shall sell each Equity Security or other security or consideration received by the Issuer (other than an Equity Security or other security or consideration described in clause (ii) above) in exchange for a Defaulted Security (or any Synthetic Security that becomes a Defaulted Security) not later than five Business Days after the Issuer's receipt thereof (or within five Business Days after such later date as such Equity Security may first be sold in accordance with its terms and applicable law);

(iv) The Issuer shall, in the event of an Auction Call Redemption, Optional Redemption, Tax Redemption or at the Stated Maturity, direct the Trustee to sell (or terminate or assign, in the case of a Synthetic Security), at the direction of the Collateral Manager, Collateral Debt Securities without regard to the foregoing limitations; and

(v) The Issuer may sell (or, in the case of a Synthetic Security, exercise its right, if any, to terminate such Synthetic Security) any Collateral Debt Security that is not a Credit Improved Security, Defaulted Security or Equity Security, Credit Risk Security or Written Down Security at any time after the Closing Date and prior to the end of the Reinvestment Period (any such sale, a "Discretionary Sale"); *provided* that (I) any Sale Proceeds therefrom must be reinvested within 15 Business Days of the sale of such security, subject to compliance with the Eligibility Criteria, in one or more substitute Collateral Debt Securities having an Aggregate Principal Balance (together with the remaining such Sale Proceeds not so reinvested, and exclusive of the accrued interest component of the Sale Proceeds) at least equal to 100% of the Principal Balance of the Collateral Debt Security sold, (II) any such Sale Proceeds (exclusive of the accrued interest component of Sale Proceeds) not reinvested in one or more substitute Collateral Debt Securities pursuant to subclause (I) of this clause (v) within 15 Business Days of the sale of such Collateral Debt Security will be transferred on the immediately succeeding Distribution Date to the Payment Account and applied as Principal Proceeds in accordance with the Priority of Payments and (III) the reinvestment of Sale Proceeds from a Discretionary Sale may occur only if: (a) the Aggregate Principal Balance of all Pledged Collateral Debt Securities purchased with Sale Proceeds from a Discretionary Sale pursuant to this clause (v) and/or the Sale Proceeds from the sale of a Credit Risk Security or Credit Improved Security for (1) the period from and including the Closing Date to and including December 31, 2007, does not exceed 20% of the Net Outstanding Portfolio Collateral Balance as of January 1, 2007, (3) the period from and including January 1, 2008 to and including December 31, 2008, does not exceed 20% of the Net Outstanding Portfolio Collateral Balance as of January 1, 2008, (4) the period from and including January 1, 2009 to and including December 31, 2009, does not exceed 20% of the Net Outstanding Portfolio Collateral Balance as of January 1, 2009, (5) the period from and including January 1, 2010 to and including December 31, 2010, does not exceed 20% of the Net Outstanding Portfolio Collateral Balance as of January 1, 2010 and (6) the period from (and including) January 1, 2011 to (and excluding) the Distribution Date in January 2012, does not exceed 20% of the Net Outstanding Portfolio Collateral Balance as of January 1, 2011; and (b) the Collateral Manager determines, taking into account any factors it deems relevant, that such sales and any related purchases or substitutions will, in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), benefit the Issuer in one or more of the following manners: 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 judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), would result in a benefit to the Issuer. In connection with any reinvestment of the proceeds of a Discretionary Sale, any determination of whether the extent of non-compliance with any of the Eligibility Criteria may not be made worse by such

reinvestment shall be made by comparing the Collateral Debt Securities held by the Issuer immediately prior to the sale of such Collateral Debt Security to the Collateral Debt Securities held by the Issuer immediately after such reinvestment. On and after any reduction or withdrawal of the rating of any Class of Notes by any Rating Agency (unless such rating has been restored to the rating assigned on the Closing Date), no Discretionary Sales will be permitted, unless holders of a Majority of the Aggregate Outstanding Amount of the Controlling Class, at the request of the Collateral Manager on behalf of the Issuer, agree that Discretionary Sales should continue notwithstanding such reduction or downgrade. From and after the last day of the Reinvestment Period, no Discretionary Sale (or the reinvestment of the proceeds from a Discretionary Sale) may be made (except to complete commitments made prior to the last day of the Reinvestment Period).

All Sale Proceeds of any Collateral Debt Securities sold by the Issuer as described above and not reinvested in substitute Collateral Debt Securities will be deposited into the Principal Collection Account or Interest Collection Account, as the case may be, and applied on the Quarterly Distribution Date immediately succeeding the end of the Due Period after the Due Period in which they were received in accordance with the Priority of Payments. Sale Proceeds consisting of accrued interest may be applied, in the Collateral Manager's discretion (i) to purchase accrued interest on substitute Collateral Debt Securities in accordance with the Eligibility Criteria (on or prior to the end of the Due Period in which such funds were received) if the Collateral Manager certifies to the Trustee that, after taking into account such application of Interest Proceeds, the remaining Interest Proceeds in the Interest Collection Account will be sufficient to pay, on the Quarterly Distribution Date (and on any Distribution Date prior thereto) following the Due Period during which such purchase is made, all accrued interest owed by the Issuer on the Notes and any other amounts required to be paid pursuant to clauses (1) through (16) of the Interest Proceeds Waterfall or (ii) deposited into the Interest Collection Account.

During the Reinvestment Period, in addition to Sale Proceeds, other Principal Proceeds may be reinvested in Collateral Debt Securities if the Eligibility Criteria are satisfied. If, however, at the time of sale, maturity or redemption, the Collateral Manager is not required to and has not identified Collateral Debt Securities for purchase, Principal Proceeds may be reinvested in Eligible Investments in the Principal Collection Account, pending reinvestment in Collateral Debt Securities.

No investment in a Collateral Debt Security may be made hereunder without the prior written approval of such investment by the Controlling Party.

If on any Determination Date the Maximum Cap Rate Test is not satisfied, the Collateral Manager will use commercially reasonable efforts to cause the test to be satisfied, including by entering into additional interest rate cap Hedge Agreements.

Any disposition by the Issuer of an Equity Security, a Written Down Security or a Defaulted Security will be conducted on an "arm's-length basis" or, if made to or from the Collateral Manager, its affiliates or their respective clients (a) on an arm's length basis and are otherwise consistent with applicable law and the Collateral Management Agreement or (b) pursuant to the warehouse agreement entered into prior to the Closing Date. Any Defaulted

Security not sold within three years after such Collateral Debt Security becomes a Defaulted Security will be deemed to have a Principal Balance of zero. The Issuer, at the direction of the Collateral Manager, may apply Interest Proceeds in the Interest Collection Account to pay a termination payment (other than any Defaulted Synthetic Termination Payment) to a Synthetic Security Counterparty in connection with the disposition of a Synthetic Security if the Collateral Manager certifies to the Trustee that, after taking into account such application of Interest Proceeds, the remaining Interest Proceeds in the Interest Collection Account will be sufficient to pay, on the Quarterly Distribution Date following the Due Period during which such termination payment is made, all accrued interest owed by the Issuer on the Notes and any other amounts required to be paid pursuant to clauses (1) through (12) of the Interest Proceeds Waterfall.

In the event of an Optional Redemption, Auction Call Redemption or a Tax Redemption, the Collateral Manager may direct the Trustee to sell Collateral Debt Securities without regard to the limitations described above that are applicable to sales by the Issuer; *provided* that (i) the proceeds therefrom will be at least sufficient to pay certain expenses and other amounts and redeem in whole but not in part all Notes to be redeemed simultaneously; (ii) such proceeds are used to make such a redemption; and (iii) in the case of an Optional Redemption or Tax Redemption, the Issuer provides a certification as to the 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," "—Redemption Procedures" and "—Auction Call Redemption."

The Collateral Manager, its affiliates and any account for which the Collateral Manager or an affiliate of the Collateral Manager acts as investment adviser (and for which the Collateral Manager or such affiliate has discretionary authority) may bid on any Collateral Debt Security to be sold by the Issuer pursuant to the Indenture; *provided* that *bona fide* bids have been received with respect to such Collateral Debt Security from at least two other nationally recognized independent dealers.

"Credit Improved Security" means any Collateral Debt Security (or the Reference Obligation in the case of a Single Obligation Synthetic Security) that satisfies one of the following criteria: (a) so long as the Moody's Rating Trigger is not in effect, such Collateral Debt Security (or the Reference Obligation in the case of a Single Obligation Synthetic Security) has shown, in the sole judgment of the Collateral Manager (exercised in the reasonable business judgment of the Collateral Manager in good faith) significantly improved credit quality or (b) so long as the Moody's Rating Trigger is in effect, such Collateral Debt Security (or the Reference Obligation in the case of a Single Obligation Synthetic Security) (i) has been upgraded or put on a watch list for possible upgrade by one or more rating subcategories by Standard & Poor's or Moody's since it was acquired by the Issuer and (ii) has shown, in the sole judgment of the Collateral Manager (exercised in the reasonable business judgment of the Collateral Manager in good faith) significantly improved credit quality.

"Credit Risk Security" means any Collateral Debt Security (or the Reference Obligation in the case of a Single Obligation Synthetic Security) that satisfies the following criteria: (i) the Collateral Manager believes, in its reasonable business judgment exercised in good faith (as of the date of the Collateral Manager's determination based upon currently available information) has a risk of declining in credit quality and, with lapse of time, becoming

a Defaulted Security or a Written Down Security or (ii) so long as the Moody's Rating Trigger is in effect, either (x) such Collateral Debt Security (or the Reference Obligation in the case of a Single Obligation Synthetic Security) has been downgraded or put on a watch list for possible downgrade by any Rating Agency by one or more rating subcategories since it was acquired by the Issuer or (y) such Collateral Debt Security (or the Reference Obligation in the case of a Single Obligation Synthetic Security) has experienced an increase in credit spread of 10% or more compared to the credit spread at which such Collateral Debt Security was acquired by the Issuer, determined by reference to the LIBOR reset for such Collateral Debt Security.

"Rating Trigger" means that either (A) the rating assigned by Moody's to any Class of Notes on the Closing Date has been (i) withdrawn, (ii) reduced by at least one subcategory in the case of the Class A-1 Notes, the Class A-2 Notes or the Class B Notes, (iii) reduced by two or more subcategories in the case of the Class X Notes, or (iv) reduced by three or more subcategories in the case of the Class C Notes in each case from the rating assigned by Moody's on the Closing Date or (B) the rating assigned by Standard & Poor's to any Class of Notes on the Closing Date has been (i) withdrawn, (ii) reduced by at least one subcategory in the case of the Class A-1 Notes, the Class A-2 Notes or the Class B Notes, (iii) reduced by two or more subcategories in the case of the Class X Notes, or (iv) reduced by three or more subcategories in the case of the Class C Notes, in each case from the rating assigned by Standard & Poor's on the Closing Date.

"Sale Proceeds" means (i) all proceeds received as a result of the sale, termination or assignment of Collateral Debt Securities, Equity Securities and Eligible Investments pursuant to the Indenture, or an Auction, or otherwise, which shall (a) include, in the case of any Synthetic Security, the proceeds of sale of any Deliverable Obligations delivered in respect thereof and any distribution received with respect of property credited to a Synthetic Security Counterparty Account if the Synthetic Security or the Synthetic Security Counterparty's security interest therein is terminated or the Synthetic Security is sold, assigned or terminated prior to its scheduled maturity, and (b) be calculated net of any reasonable out-of-pocket expenses of the Issuer, the Collateral Manager or the Trustee in connection with any such sale; and (ii) all amounts released from a Synthetic Security Counterparty Account (other than any investment income thereon) after payment of all amounts owing by the Issuer to a Synthetic Security Counterparty in accordance with the Indenture.

"U.S. Treasury Benchmark" means for any Collateral Debt Security, the interest rate on U.S. Treasury securities used as a benchmark for that Collateral Debt Security by two market makers, selected by the Collateral Manager, in that Collateral Debt Security.

**The Hedge Agreements**

On the Closing Date, the Issuer will enter into an interest rate protection agreement (the "Basis Swap") with AIG Financial Products Corp. (the "Basis Swap Counterparty"), whose offices are located at 50 Danbury Road, Wilton, Connecticut 06897-4444. On and after the Closing Date, at the direction of the Collateral Manager, the Issuer may enter into additional interest rate protection agreements consisting of fixed rate for floating rate interest swaps, floating/floating interest rate swaps, basis swaps, interest rate caps or other forms of interest rate derivatives, with hedge counterparties (each, a "Hedge Counterparty") in

accordance with the Indenture. Each interest rate protection agreement, together with any replacement therefor, is referred to herein as a "Hedge Agreement." The Issuer may not enter into any Hedge Agreements without satisfaction of the Rating Condition and each Hedge Counterparty will satisfy the Hedge Counterparty Ratings Requirement with respect to Standard & Poor's. Each Hedge Agreement will provide that any amount payable to the Hedge Counterparty thereunder on a Distribution Date or a Quarterly Distribution Date and any termination payment payable to the Hedge Counterparties thereunder will be subject to the Priority of Payments.

The Basis Swap is intended to protect, in part, against increases in LIBOR payable on the Notes and to mitigate in part (to the extent practicable) the Issuer's exposure to such interest rate risk. Pursuant to the Basis Swap, the Issuer will be obligated to make floating rate payments to the Basis Swap Counterparty equal to the one-month London interbank offered rate and the Basis Swap Counterparty will be obligated to make floating rate payments to the Issuer equal to the three-month London interbank offered rate, in each case based on the notional amount specified in the Basis Swap, which will be approximately U.S.$375,000,000 from the Closing Date to the January 2012 Distribution Date, which is the date which is the scheduled termination date of the Basis Swap. Only a single net payment will be made on each date on which payments are due under the Basis Swap. If the payment owed by the Basis Swap Counterparty to the Issuer pursuant to the Basis Swap is greater than the payment owed by the Issuer pursuant to such swap, then the Basis Swap Counterparty will pay the difference to the Issuer. If the payment owed by the Issuer to the Basis Swap Counterparty pursuant to the Basis Swap exceeds the payment owed by the Basis Swap Counterparty pursuant to such swap, then the Issuer will pay the difference to the Basis Swap Counterparty.

Pursuant to the Priority of Payments, scheduled payments required to be made by the Issuer under each Hedge Agreement, together with any termination payments payable by the Issuer other than Deferred Termination Payments will be payable pursuant to clause (3) under "Description of the Notes—Priority of Payments—Interest Proceeds."

With respect to each Hedge Counterparty

(i) if a Collateralization Event with respect of Standard & Poor's occurs, the Issuer may, at its option, terminate the related Hedge Agreement, unless such Hedge Counterparty shall within 30 days (at its own expense and at no cost to the Issuer) (w) deliver pursuant to the related Credit Support Annex (which shall have been entered into at the time the Hedge Counterparty enters into the Hedge Agreement) to a Hedge Counterparty Collateral Account established pursuant to the Indenture collateral as required under the Hedge Agreement; (x) deliver to the Trustee an absolute and unconditional guarantee satisfactory to the Issuer from a guarantor that satisfies the Hedge Counterparty Ratings Requirement, and which guarantee satisfies the Rating Condition; (y) assign its rights and obligations pursuant to the Hedge Agreement to a counterparty which satisfies the Hedge Counterparty Ratings Requirement (provided that any such assignment shall satisfy the Rating Condition); or (z) undertake any other action acceptable to each Rating Agency that has downgraded the Hedge Rating Determining Party for such Hedge Counterparty to cause the obligations of the Hedge Counterparty under the Hedge

Agreement to be treated by such Rating Agency as if such obligations were owed by a counterparty satisfying the Hedge Counterparty Ratings Requirement; and

(ii) following the occurrence of a Ratings Event (which shall include a failure to take any of the actions specified in clause (i) above following the occurrence of a Collateralization Event), the Issuer may, at its option, terminate the related Hedge Agreement unless such Hedge Counterparty shall within 10 Business Days (or 30 local Business Days in the case of a Ratings Event in respect of Moody's) (at its own expense and no cost to the Issuer) (x) assign its rights and obligations under the Hedge Agreement to another Hedge Counterparty which has ratings at least equal to the Hedge Counterparty Ratings Requirement with respect to a Ratings Event in respect of Standard & Poor's (or the ratings requirements for eligible replacement Hedge Counterparties set forth in the Hedge Agreement with respect to a Ratings Event in respect of Moody's) in accordance with the terms of the Hedge Agreement or (y) with respect to a Ratings Event in respect of Standard & Poor's, enter into any other agreement with or arrangement for the benefit of the Issuer that is reasonably satisfactory to the Collateral Manager on behalf of the Issuer and that satisfies the Rating Condition in respect of Standard & Poors.

Notwithstanding the foregoing, there can be no assurance that, if any rating of a Hedge Counterparty is reduced or withdrawn, the ratings assigned to the Notes will not be reduced or withdrawn. There also can be no assurance that, if a Ratings Event occurs, the Issuer will be able to obtain a replacement Hedge Agreement.

"Collateralization Event" means, in respect of any Hedge Counterparty, the occurrence of any event specified in the applicable Hedge Agreement as a "Collateralization Event" thereunder. With respect to the Basis Swap, a "Collateralization Event" is the failure to satisfy the Hedge Counterparty Ratings Requirement.

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

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

Determining Party are rated at least "A+" by Standard & Poor's; and (b) either (i) (x) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated at least "P-1" by Moody's and (y) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A-2" by Moody's or (ii) if there is no such short-term debt rating by Moody's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A1" by Moody's.

"Ratings Event" means, with respect to any Hedge Agreement, the occurrence of any event specified in the applicable Hedge Agreement as a "Substitution Event."

In the event that either a Collateralization Event or a Ratings Event occurs, and the applicable Hedge Counterparty fails to take one of the actions set forth above, such failure shall constitute a "termination event" with respect to such Hedge Counterparty.

The Hedge Agreements are also expected to be subject to termination by the Hedge Counterparty if an "event of default" or "termination event" occurs with respect to the Issuer under the Master Agreement or upon the earlier to occur of (a) the delivery of notice of any liquidation of any of the Collateral pursuant to the Indenture following the occurrence of an Event of Default under the Indenture followed by the earlier of (i) notice of completion of the sale or liquidation of the Collateral in accordance with the Indenture and (ii) notice of the application of proceeds from the liquidation of Collateral to make payments in accordance with the Priority of Payments, (b) any Auction Call Redemption, Optional Redemption or Tax Redemption or (c) the entry by the Issuer, without the prior written consent of the Hedge Counterparty (which consent shall not be unreasonably withheld or delayed), into a supplemental indenture that would amend, modify or change the Indenture, if such supplemental indenture, amendment, modification or change could reasonably be expected to have a material adverse effect (as determined by the Hedge Counterparty in its reasonable discretion) on the rights or obligations of the Hedge Counterparty under the Hedge Agreement or under the Indenture. In the event that amounts are applied to the redemption of Notes on any Quarterly Distribution Date in accordance with the Priority of Payments by reason of a Rating Confirmation Failure, or a failure to satisfy any of the Coverage Tests, then, subject to the satisfaction of the Rating Condition, the Hedge Agreement (other than any basis swap) will be subject to partial termination by the Hedge Counterparty on such Distribution Date with respect to a portion of the notional amount thereof. In addition, subject to satisfaction of the Rating Condition with respect to Standard & Poor's, the Collateral Manager may direct the Issuer to reduce the notional amount of any interest rate swap outstanding under the Hedge Agreements. Upon any such termination or reduction of a notional amount, a termination payment with respect to the notional amount terminated or reduced may become payable by a Hedge Counterparty or by the Issuer to the other party under the related Hedge Agreement, with such termination payment being calculated as described herein or pursuant to the terms of the Hedge Agreement.

If at any time a Hedge Agreement becomes subject to early termination due to the occurrence of an "event of default" or a "termination event" as to which the Hedge Counterparty party thereto is the sole "defaulting party" or the sole "affected party" (as each such term is defined in the relevant Hedge Agreement), the Issuer and the Trustee shall take such actions (following the expiration of any applicable grace period) to enforce the rights of the Issuer and

the Trustee thereunder as may be permitted by the terms of such Hedge Agreement and consistent with the terms hereof, and the Issuer (or the Collateral Manager on its behalf) 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 ratings requirements for eligible replacement Hedge Counterparties set forth in the Hedge Agreement. 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.

Amounts payable upon any such termination or reduction will be based upon replacement transaction valuation methodology set forth in the 1992 ISDA Master Agreement published by the International Swaps and Derivatives Association, Inc. (the "Master Agreement") as modified to meet certain requirements of the Rating Agencies.

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

If any amount is payable by the Issuer to the 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 *per annum* equal to the interest rate specified in the Hedge Agreement, shall be payable on the next succeeding 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 Distribution Date on which such amount may be paid in accordance with the Priority of Payments.

The obligations of the Issuer under the Hedge Agreements will be limited recourse obligations payable solely from the Collateral pursuant to the Priority of Payments, and will be secured under the Indenture and will be senior in priority to the Issuer's obligations to pay interest on, and principal of, the Notes.

**The Accounts**

On or prior to the Closing Date the Trustee will have established each of the following segregated, non-interest bearing trust accounts (the "Accounts"). Any investments of funds in the Accounts will be made in accordance with the direction of the Collateral Manager on behalf of the Issuer.

Collection Accounts

All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities, to the extent such distributions or proceeds

constitute Interest Proceeds, and any amounts paid to the Issuer by a Hedge Counterparty under any Hedge Agreement (other than amounts received by the Issuer by reason of an event of default or termination event under a Hedge Agreement or other comparable event that are required to be used for the purchase by the Issuer of a replacement Hedge Agreement) will be remitted to a single, segregated account established and maintained by the Trustee under the Indenture (the "Interest Collection Account"), each of 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 will be remitted to a single, segregated account established and maintained by the Trustee under the Indenture (the "Principal Collection Account" which may be a subaccount of the Custodial Account. The Interest Collection Account and the Principal Collection Account are collectively referred to herein as the "Collection Accounts." The Collection Accounts shall be maintained for the benefit of the Secured Parties and amounts on deposit therein will be available, together with investment earnings thereon, 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 with stated maturities no later than the Business Day immediately preceding the next Distribution Date. All such proceeds will be retained in the Collection Accounts unless such proceeds (i) are Principal Proceeds to be used to purchase Collateral Debt Securities in accordance with the Eligibility Criteria (and subject to the conditions specified in "Description of the Notes—Reinvestment Period" and "Security for the Notes—Dispositions of Collateral Debt Securities") or to honor commitments with respect thereto entered into prior to the last day of the Reinvestment Period or (ii) are used as otherwise permitted under the Indenture. See "—Eligibility Criteria."

Payment Account

On or prior to the Business Day prior to each Distribution Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Payment Account") all Interest Proceeds and Principal Proceeds (other than Principal Proceeds that the Issuer is entitled to reinvest in accordance with the Eligibility Criteria and the conditions specified in "Description of the Notes—Reinvestment Period" and "Security for the Notes—Dispositions of Collateral Debt Securities," which may be retained in the Collection Accounts for subsequent reinvestment, if the Issuer so elects as set forth in the Indenture) received, with respect to the related Due Period, in the Collection Accounts during the related Due Period for payments to Senior Noteholders, payments to the Fiscal Agent for distribution to Junior Noteholders and payments of fees and expenses and other amounts owed on such Distribution Date in accordance with the priority described under "Description of the Notes—Priority of Payments."

Quarterly Interest Reserve Account

After payment of the organizational and structuring fees and expenses of the Co-Issuers and expenses of offering the Offered Securities, on the Closing Date at least U.S.$500,000 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 "Quarterly Interest Reserve Account"). On or prior to the Business Day prior to any Distribution Date on which the Issuer would otherwise have insufficient Interest Proceeds to pay the Interest Distribution Amount owed with respect to the Notes in accordance with the Priority of Payments, the Trustee shall transfer from the Quarterly Interest Reserve Account to the Payment Account, for application as Interest Proceeds on such Distribution Date, an amount equal to the lesser of amounts then on deposit in the Quarterly Interest Reserve Account and an amount sufficient (together with other Interest Proceeds available for such purpose) to pay the Interest Distribution Amount owed on such Distribution Date with respect to such Notes in accordance with the Priority of Payments. On each Quarterly Distribution Date, the Trustee shall, in accordance with the Priority of Payments, deposit Interest Proceeds remaining after application pursuant to the Priority of Payments such that the amount on deposit in the Quarterly Interest Reserve Account (after giving effect to such deposit) will equal U.S.$500,000. Any amounts remaining on deposit in the Quarterly Interest Reserve Account when substantially all of the Issuer's assets have been sold or otherwise disposed of will be deposited by the Trustee into the Payment Account for application as Interest Proceeds on the immediately succeeding Distribution Date.

Uninvested Proceeds Account

On the Closing Date, the Trustee will deposit Uninvested Proceeds into a single, segregated account established and maintained by the Trustee under the Indenture (the "Uninvested Proceeds Account"). The Trustee shall invest all funds received into the Uninvested Proceeds Account during the Ramp-Up Period in Eligible Investments. All interest and other income from such investments shall be deposited in the Uninvested Proceeds Account, any gain realized from such investments will be credited to the Uninvested Proceeds Account, and any loss resulting from such investments will be charged to the Uninvested Proceeds Account.

At least one Business Day prior to the first Quarterly Distribution Date following the occurrence of either a Rating Confirmation Failure or a Rating Confirmation after the Ramp-Up Completion Date (which will be the first Quarterly Distribution Date after the Closing Date if the Ramp-Up Completion Date is the same date as the Closing Date), the Trustee will transfer all remaining Uninvested Proceeds that are not required to complete purchases of Collateral Debt Securities to the Payment Account, to be treated *first*, as Interest Proceeds in an amount equal to the Interest Excess if there has been a Rating Confirmation (or if the Closing Date is the Ramp-Up Completion Date) and, *second*, as Principal Proceeds, and distributed in accordance with the Priority of Payments; *provided* that such Uninvested Proceeds will be applied first to the payment of principal of the Notes in direct order of seniority if a Rating Confirmation Failure occurs. During the Ramp-Up Period, the Collateral Manager on behalf of the Issuer may by notice to the Trustee direct the Trustee to, and upon receipt of the issuer order, the Trustee shall (i) apply cash in the Uninvested Proceeds Account to purchase Collateral Debt Securities or (ii) withdraw cash in the Uninvested Proceeds Account and deposit it into a Synthetic Security

Counterparty Account in connection with the purchase (or entry into) of a Defeased Synthetic Security. If the first Quarterly Distribution Date occurs prior to Rating Confirmation or Rating Confirmation Failure, an amount equal to the Interest Excess on the related Determination Date will be withdrawn from the Uninvested Proceeds Account and transferred to the Payment Account for application as Interest Proceeds in accordance with the Priority of Payments.

"Interest Excess" means the lesser of (a) U.S.$2,000,000 and (b) the excess, if any, of (i) the sum of the Aggregate Principal Balance of the Pledged Collateral Debt Securities on the Ramp-Up Completion Date *plus* all Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date *plus* all Principal Proceeds on deposit in the Collection Accounts on the Ramp-Up Completion Date *plus* all Principal Proceeds distributed on any prior Distribution Date over (ii) U.S.$4,984,700,000.

Expense Account

After payment of the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Collateral Manager and the Placement Agent) and the expenses of offering the Offered Securities, on the Closing Date, at least U.S.$200,000 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 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 subclauses (b) through (f) of 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) such that the amount on deposit in the Expense Account (after giving effect to such deposit) will equal U.S.$200,000. 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. If on any Quarterly Distribution Date, after application of Interest Proceeds pursuant to clauses (1) through (14) of the Interest Proceeds Waterfall, there are insufficient funds to pay accrued and unpaid Trustee Expenses and/or accrued and unpaid Other Administrative Expenses pursuant to clause (15) of the Interest Proceeds Waterfall, amounts on deposit in the Expense Account shall be withdrawn by the Trustee and applied to pay such shortfall. All amounts remaining on deposit in the Expense Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of will be deposited by the Trustee into the Payment Account for application as Interest Proceeds on the immediately succeeding Distribution Date.

Custodial Account

The Trustee will, prior to the Closing Date, cause the Custodian to establish a Securities Account which shall be designated as the "Custodial Account," into which the Trustee shall from time to time deposit Pledged Securities. All Pledged Securities from time to time deposited in, or otherwise standing to the credit of, the Custodial Account pursuant to the Indenture will be held as part of the Collateral. The Co-Issuers shall not have any legal,

equitable or beneficial interest in the Custodial Account other than in accordance with the Priority of Payments.

"Pledged Securities" means on any date of determination, (a) the Collateral Debt Securities, Equity Securities and Eligible Investments that have been granted to the Trustee and (b) all non-cash proceeds thereof, in each case, to the extent not released from the lien of the Indenture.

Interest Reserve Account

On the Closing Date the Collateral Manager may, in its sole discretion, designate a specified amount from the proceeds of the offering of the Offered Securities to be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Interest Reserve Account"). Currently, such amount is expected to be U.S.$2,700,000. All funds on deposit in the Interest Reserve Account will be invested in Eligible Investments. 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 all amounts from the Interest Reserve Account to the Payment Account for application (x) as Interest Proceeds on the first Quarterly Distribution Date for distribution to holders of the Class A-1A Notes and the Class A-1B Notes (in accordance with the Class A-1B Payment Priority) pro rata (based on the Interest Distribution Amount of each Class of 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 (4) of the Interest Proceeds Waterfall 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") for the benefit of the related Synthetic Security Counterparty; *provided* that a single Synthetic Security Counterparty Account may be established for all (or a designated portion) of the Synthetic Securities with the same Synthetic Security Counterparty if a subaccount thereof is established for each Synthetic Security. The Trustee, the Fiscal Agent and the Issuer shall, in connection with the establishment of each additional 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, the Fiscal Agent and the Synthetic Security Counterparty with respect to such account and pursuant to which the Issuer shall grant the Trustee a first priority security interest in such Synthetic Security Counterparty Account for the benefit of the Synthetic Security Counterparty; *provided* that no security interest in favor of a Synthetic Security Counterparty in such Synthetic Security Counterparty Account shall include any income from investments of funds in such Synthetic Security Counterparty Account to which the Issuer is entitled pursuant to the terms of such Synthetic Security.

As directed by issuer order (which may be executed by the Collateral Manager), the Trustee will withdraw from the Uninvested Proceeds Account or the Principal Collection Account and deposit into each Synthetic Security Counterparty Account the amount required to secure the obligations of the Issuer in accordance with the terms of the related Defeased Synthetic Security or Defeased Synthetic Securities, as applicable, to the extent that the relevant amount has not been deposited in the Synthetic Security Counterparty Account from the net proceeds received by the Issuer from the issuance of the Notes, which amount shall be at least equal to the amount referred to in paragraph (a) of the definition of Defeased Synthetic Security. The Collateral Manager will direct any such deposit during the Ramp-Up Period and during the Reinvestment Period and only to the extent that monies are available for the purchase of Collateral Debt Securities from Uninvested Proceeds and Principal Proceeds in accordance with the terms of the Indenture. Notwithstanding the foregoing, after the Reinvestment Period ends, the Issuer may acquire Collateral Debt Securities that are the subject of commitments entered into by the Issuer prior to the end of the Reinvestment Period. To the extent required by a Synthetic Security, the Trustee shall deposit the related Principal Shortfall Reimbursement Payments received by the Issuer into the applicable Synthetic Security Counterparty Account.

In accordance with the terms of the applicable Defeased Synthetic Security and related account control and security agreement, amounts standing to the credit of a Synthetic Security Counterparty Account shall be invested in Synthetic Security Collateral designated by the Synthetic Security Counterparty and approved by the Collateral Manager, which may be subject to derivatives transactions (including total return swaps); *provided* that the Rating Condition has been satisfied with respect to such derivative transaction. Amounts and property credited to a Synthetic Security Counterparty Account shall be withdrawn by the Trustee (at the Collateral Manager's direction) and applied to the payment of any amounts payable by, or to the delivery of securities deliverable by, the Issuer to the related Synthetic Security Counterparty in accordance with the terms of such Defeased Synthetic Security. The Issuer also shall sell all or any part of the Synthetic Security Collateral at the times and in the manner provided in the applicable Synthetic Security. To the extent that the Issuer is entitled to receive interest on securities credited to a Synthetic Security Counterparty Account, the Collateral Manager shall, by issuer order, direct the Trustee to deposit such amounts in the Interest Collection Account (and such amounts shall be Interest Proceeds). After payment of all amounts owing by the Issuer to a Synthetic Security Counterparty in accordance with the terms of the related Defeased Synthetic Security or termination of a Synthetic Security following an event described in clause (c) of the definition of "Defeased Synthetic Security" (in which event no termination payment shall be due from the Issuer to such Synthetic Security Counterparty), the Collateral Manager, by issuer order, shall direct the Trustee to withdraw all funds and other property credited to the Synthetic Security Counterparty Account related to such Defeased Synthetic Security and credit such funds and other property to (i) the Principal Collection Account (in the case of cash and Eligible Investments), for application as Principal Proceeds (other than any investment income thereon, which will be Interest Proceeds) in accordance with the terms of the Indenture, and (ii) the Custodial Account (in the case of Collateral Debt Securities and other financial assets), which shall not be liquidated except in accordance with "Security for the Notes—Dispositions of Collateral Debt Securities"; *provided, however*, that if any other Defeased Synthetic Security secured by the same Synthetic Security Counterparty Account will remain in effect, (x) the funds and property to be withdrawn from the Synthetic Security Counterparty Account shall be selected in accordance with the Synthetic Security and (y) such withdrawal shall not cause the

balance of the Synthetic Security Collateral in such Synthetic Security Counterparty Account to be less than the aggregate notional amount of the Synthetic Securities then in effect.

Except for 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 an asset of the Issuer for purposes of any Collateral Quality Test or Coverage Test; however, the Defeased Synthetic Security that relates to such Synthetic Security Counterparty Account shall be considered an asset of the Issuer for such purposes.

Each Synthetic Security Counterparty Account shall remain at all times with a financial institution organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers and having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1," not be on watch for possible downgrade by Moody's) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.$250,000,000.

"Synthetic Security Collateral" means investments made pursuant to the Indenture in a Synthetic Security Counterparty Account or Synthetic Security Issuer Account in Eligible Investments or any other security that satisfies the Rating Condition; and, further, *provided* that such investments are rated at least "Aaa" by Moody's.

A modification to the terms of the Indenture relating to a Synthetic Security Counterparty Account will require the consent of any Synthetic Security Counterparty materially and adversely affected by such modification.

Synthetic Security Issuer Accounts

If the terms of any Synthetic Security require the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Trustee shall cause to be established a segregated Securities Account in respect of such Synthetic Security (each such account, a "Synthetic Security Issuer Account"); *provided* that a single Synthetic Security Issuer Account may be established for all (or a designated portion) of the Synthetic Securities with the same Synthetic Security Counterparty. Upon issuer order, the Trustee, the Fiscal Agent, the Synthetic Security Counterparty and the Custodian shall enter into an account control agreement with respect to such account in a form substantially similar to the Account Control Agreement. The Trustee shall credit to any such Synthetic Security Issuer Account all funds and other property received from the applicable Synthetic Security Counterparty to secure the obligations of such Synthetic Security Counterparty in accordance with the terms of such Synthetic Security.

Amounts credited to a Synthetic Security Issuer Account shall be invested as directed by an issuer order executed by the Collateral Manager in writing and in accordance with the terms of the applicable Synthetic Security in Synthetic Security Collateral. Income received on amounts credited to such Synthetic Security Issuer Account shall be withdrawn from such account and paid to the related Synthetic Security Counterparty in accordance with the terms of the applicable Synthetic Security.

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

In accordance with the terms of the applicable Synthetic Security, funds and other property standing to the credit of the related Synthetic Security Issuer Account shall, as directed by the Collateral Manager by issuer order, be withdrawn by the Trustee and applied to the payment of any amount owing by the related Synthetic Security Counterparty to the Issuer under the applicable Synthetic Security or Synthetic Securities. After payment of all amounts owed by the Synthetic Security Counterparty to the Issuer in accordance with the terms of the related Synthetic Security, all funds and other property standing to the credit of the related Synthetic Security Issuer Account shall be withdrawn from such Synthetic Security Issuer Account and paid or transferred to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security; *provided, however*, that if the obligations of the same Synthetic Security Counterparty under another Synthetic Security which will remain in effect are secured by the same Synthetic Security Issuer Account, the amount withdrawn therefrom shall not cause the remaining balance thereof to be less than the amount required to be posted by the Synthetic Security Counterparty to secure its obligations under the Synthetic Securities which will remain in effect.

Each Synthetic Security Issuer Account shall remain at all times with a financial institution organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers and having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1," not be on watch for possible downgrade by Moody's) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.$250,000,000.

A modification of the terms of the Indenture relating to a Synthetic Security Issuer Account will require the consent of any Synthetic Security Counterparty materially and adversely affected thereby.

## THE COLLATERAL MANAGEMENT AGREEMENT

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

### General

The Collateral Manager will perform certain investment management functions, including directing and supervising the investment by the Issuer in Collateral Debt Securities, during the period from the Closing Date to (and including) the last day of the Reinvestment Period, and Eligible Investments and will perform certain administrative functions on behalf of the Issuer in accordance with the applicable provisions of the Collateral Management Agreement. The Collateral Manager will be authorized to supervise and direct the investment and disposition of Collateral Debt Securities, Equity Securities and Eligible Investments, with full authority and at its discretion (without specific authorization from the Issuer), on the Issuer's behalf and at the Issuer's risk.

### Compensation

As compensation for rendering its services under the Collateral Management Agreement, the Collateral Manager will be entitled to receive fees, payable quarterly (except that in the case of the first Quarterly Distribution Date, the fee will cover the period from and including the Closing Date to but excluding the first Quarterly Distribution Date) in arrears on each Quarterly Distribution Date in accordance with the Priority of Payments, in an amount equal to the Subordinate Management Fee of 0.05% *per annum* of the Average Quarterly Asset Amount for each Distribution Date. The Subordinate Management Fee will be paid in accordance with the Priority of Payments. The Subordinate Management Fee for any Quarterly Distribution Date will be calculated on the basis of a 360-day year consisting of twelve 30-day months. See "Description of the Notes—Priority of Payments."

The Subordinate Management Fee will accrue from the Closing Date. To the extent not paid on any Quarterly Distribution Date when due, the Subordinate Management Fee will be deferred and will be payable on subsequent Quarterly Distribution Dates in accordance with the Priority of Payments. The Collateral Manager will have the right to elect to defer payment of its Subordinate Management Fee on any Quarterly Distribution Date. Any accrued but unpaid Subordinate Management Fees that are deferred (whether as a result of the operation of the Priority of Payments as described herein or at the option of the Collateral Manager) will not accrue interest. Notwithstanding the foregoing, the Collateral Manager may not make such an election with respect to any Quarterly Distribution Date if it has elected to defer such payments on the four consecutive Quarterly Distribution Dates preceding such Quarterly Distribution Date. In addition, the Collateral Manager will be reimbursed for certain other amounts owed to it under the Collateral Management Agreement pursuant to the Priority of Payments.

The Collateral Manager will also be entitled to an Incentive Management Fee on each Quarterly Distribution Date pursuant to clause (20) of the Interest Proceeds Waterfall and clause (14) of the Principal Waterfall in an amount equal to all of the cash remaining on such Quarterly Distribution Date after application of Interest Proceeds and Principal Proceeds pursuant to the Priority of Payments.

**Removal**

If the Collateral Management Agreement is terminated for any reason, or the entity then serving as Collateral Manager resigns or is removed, the Subordinate Management Fee owing to such entity will be prorated for any partial periods between Distribution Dates, and such prorated amount shall be due and payable on the first Distribution Date following the date of such termination, subject to the Priority of Payments.

The Collateral Manager may resign, upon 90 days' (or such shorter period as is acceptable to the Issuer) written notice to the Issuer, the Trustee and the Rating Agencies. If the Collateral Manager resigns, the Issuer agrees to use its commercially reasonable efforts to appoint a successor Collateral Manager, and the effectiveness of such resignation will be conditioned upon the appointment of such successor in the manner specified below.

The Collateral Manager may be removed without cause upon 90 days' (or such shorter notice as is acceptable to the Collateral Manager) prior written notice to the Collateral Manager by the Issuer (with a copy sent to each Rating Agency) at the direction of holders of a Majority of the Aggregate Outstanding Amount of each Class of Notes (each voting as a separate Class, and excluding any Collateral Manager Securities). No removal without cause will be effective until the date as of which a successor Collateral Manager shall have agreed in writing to assume all of the Collateral Manager's duties in accordance with the Collateral Management Agreement.

The Collateral Manager may be removed for "cause" by the Issuer or the Trustee (i) on the occurrence of any event specified clause (1) through (5) below, at the direction of holders of at least a SupraMajority of the Class C Notes (excluding any Collateral Manager Securities) or by the holders of a Majority of the Aggregate Outstanding Amount of the Notes of the Controlling Class (excluding any Collateral Manager Securities) or (ii) on the occurrence of an event specified in clause (6) below, at the direction of the Controlling Party, upon 10 days' prior written notice to the Collateral Manager. The Trustee will not be responsible for determining whether "cause" exists.

For purposes of determining "cause" with respect to any such termination of the Collateral Management Agreement, such term shall mean the occurrence and continuation of any one of the following events:

(1) the Collateral Manager willfully violates, or takes any action that it knows breaches, any provision of the Collateral Management Agreement or the Indenture applicable to it;

(2) the Collateral Manager breaches in any material respect any provision of the Collateral Management Agreement or any terms of the Indenture applicable to it or any

representation, certificate or other statement made or given in writing by the Collateral Manager (or any of its directors or officers) pursuant to the Collateral Management Agreement or the Indenture shall prove to have been incorrect in any material respect when made or given and, within 45 days of its becoming aware (or receiving notice from the Trustee) of such breach, or such materially incorrect representation, certificate or statement, the Collateral Manager fails to cure such breach, or to take such action so that the facts (after giving effect to such actions) conform in all material respects to such representation, certificate or statement;

(3) the Collateral Manager is wound up or dissolved or there is appointed over it or a substantial portion of its assets in connection with any winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law, a receiver, administrator, administrative receiver, trustee or similar officer; or the Collateral Manager (i) ceases to be able to, or admits in writing its inability to, pay its debts as they become due and payable, or makes a general assignment for the benefit of, or enters into any composition or arrangement with, its creditors generally; (ii) applies for or consents (by admission of material allegations of a petition or otherwise) to the appointment of a receiver, trustee, assignee, custodian, liquidator or sequestrator (or other similar official) of the Collateral Manager or of any substantial part of its properties or assets in connection with any winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law, or authorizes such an application or consent, or proceedings seeking such appointment are commenced without such authorization, consent or application against the Collateral Manager and continue undismissed for 60 consecutive days; (iii) authorizes or files a voluntary petition in bankruptcy, or applies for or consents (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, arrangement, readjustment of debt, insolvency or dissolution, or authorizes such application or consent, or proceedings to such end are instituted against the Collateral Manager without such authorization, application or consent and are approved as properly instituted and remain undismissed for 60 consecutive days or result in adjudication of bankruptcy or insolvency; or (iv) permits or suffers all or any substantial part of its properties or assets to be sequestered or attached by court order and the order remains undismissed for 60 consecutive days;

(4) the occurrence of an Indenture Event of Default described under clause (i) or clause (ii) of "Description of the Notes—The Indenture—Indenture Events of Default," or an Indenture Event of Default that results from a breach by the Collateral Manager of its duties under the Indenture or the Collateral Management Agreement;

(5) the occurrence of an act by the Collateral Manager that constitutes fraud or a felony criminal offense in the performance of its obligations under the Collateral Management Agreement, or the Collateral Manager is convicted, or any of its executive officers having responsibility over the management of the Collateral Debt Securities are convicted, of a criminal offense materially related to its primary business of managing of collateral or investments or its investment advisory activities; or

(6) investment by the Collateral Manager on behalf of the Issuer in a Collateral Debt Security without having obtained the prior written approval of such investment by the Controlling Party, if such written approval has not subsequently been obtained from the Controlling Party within 14 days following such investment.

The Collateral Manager will notify the Issuer, the Trustee, the Fiscal Agent and the Rating Agencies if it knows that a "cause" event, or an event which with the giving of notice or the lapse of time (or both) would become "cause," occurs.

Any resignation or removal of the Collateral Manager, or termination of this Agreement, will be effective only upon (i) the appointment by the Issuer at the direction of holders of at least a SupraMajority of the Class C Notes (including Class C Notes that are Collateral Manager Securities) of an institution as successor Collateral Manager that is not an affiliate of the Collateral Manager, provided, that the holders of a Majority of the Aggregate Outstanding Amount of each Class of Notes do not disapprove such institution within 30 days of notice of such appointment, and such institution (1) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement, (2) is legally qualified and has the capacity to act as Collateral Manager under the Collateral Management Agreement as successor to the Collateral Manager, (3) has agreed in writing to assume all of the responsibilities, duties and obligations of the Collateral Manager under the Collateral Management Agreement and under the applicable terms of the Indenture and (4) shall not cause the Issuer, the Co-Issuer or the Collateral to be required to register as an investment company under the Investment Company Act (clauses (1) through (4), the "Replacement Manager Conditions"); and (ii) satisfaction of the Rating Condition with respect to such appointment.

The Issuer, the Trustee and the successor Collateral Manager shall take such action (or cause the outgoing Collateral Manager to take such action) consistent with the Collateral Management Agreement and the terms of the Indenture applicable to the Collateral Manager as shall be necessary to effectuate any such succession. If the Collateral Manager shall resign or be removed but a successor Collateral Manager shall not have assumed all of the Collateral Manager's duties and obligations under the Collateral Management Agreement within 60 days after such resignation or removal, then the holders of a Majority of the Aggregate Outstanding Amount of the Notes of the Controlling Class will have the right to appoint a successor Collateral Manager.

In the event that the Collateral Manager is terminated or resigns and neither the Issuer nor the Trustee shall have appointed a successor on or prior to the date that is 90 days following the date of the termination notice, the Collateral Manager will be entitled to appoint a successor and will so appoint a successor within 90 days thereafter, subject to such successor's satisfaction of the Replacement Manager Conditions and the approval of such successor by holders of a Majority of the Aggregate Outstanding Amount of each Class of Notes. In lieu thereof, or, if the successor Collateral Manager appointed by the resigning or removed Collateral Manager is disapproved, the resigning or removed Collateral Manager, the Issuer or the holders of at least 25% of the Aggregate Outstanding Amount of any Class of Notes may petition any court of competent jurisdiction for the appointment of a successor Collateral Manager, which appointment shall not require the consent of, nor be subject to the disapproval of, the Issuer or any holder of Notes.

Any Collateral Manager Securities will have no voting rights with respect to any vote (i) in connection with the removal "for cause" of the Collateral Manager or (ii) increasing the rights or decreasing the obligations of the Collateral Manager, and will be deemed not to be outstanding in connection with any such vote; *provided, however*, that any such Collateral Manager Securities will have voting rights and will be deemed outstanding with respect to all other matters as to which holders of Offered Securities are entitled to vote.

The Collateral Management Agreement may not be delegated or assigned by the Collateral Manager, in whole or in part, without (i) the prior written consent of or affirmative vote by a Majority of the Aggregate Outstanding Amount of the Controlling Class (excluding any Collateral Manager Securities) and (ii) satisfaction of the Rating Condition with respect to such assignment or delegation and, notwithstanding any such consent, no delegation of duties by the Collateral Manager shall relieve it from any liability under the Collateral Management Agreement; *provided, however*, that the Collateral Manager may assign any or all of its rights or delegate any or all of its obligations under the Collateral Management Agreement to an affiliate of the Collateral Manager without obtaining the consents specified in the preceding clauses (i) and (ii), if such affiliate meets the Replacement Manager Conditions.

The Collateral Management Agreement may not be assigned by the Issuer without the prior written consent of the Collateral Manager and the prior written consent of or affirmative vote by a Majority in Aggregate Outstanding Amount of the Notes of the Controlling Class, except in the case of assignment by the Issuer (i) to an entity which is a successor to the Issuer permitted under the Indenture, in which case such successor organization shall be bound under the Collateral Management Agreement and by the terms of such assignment in the same manner as the Issuer is bound under the Indenture or (ii) to the Trustee as contemplated by the Indenture. In the event of any assignment by the Issuer, the Issuer shall use its best efforts to cause its successor to execute and deliver to the Collateral Manager such documents as the Collateral Manager shall consider reasonably necessary to effect fully such assignment.

The Collateral Management Agreement may not be amended, modified or waived without, in the case of any amendment to which consent of a Hedge Counterparty is required under any Hedge Agreement, the consent of such Hedge Counterparty and without satisfaction of the Rating Condition with respect to Standard & Poor's.

Any corporation, partnership or limited liability company into which the Collateral Manager may be merged or converted or with which it may be consolidated, or any corporation, partnership or limited liability company resulting from any merger, conversion or consolidation to which the Collateral Manager shall be a party, or any corporation, partnership or limited liability company succeeding to all or substantially all of the collateral management business of the Collateral Manager, shall be the successor to the Collateral Manger without any further action by the Collateral Manager, the Co-Issuers, the Trustee, the Noteholders or any other person or entity.

Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager and its affiliates. In certain circumstances, the interests of the Issuer and/or the holders of the Notes with respect to matters as to which the Collateral Manager is advising the Issuer will conflict with the interests of the Collateral

Manager or its affiliates, including the Placement Agent. See "Risk Factors—Conflicts of Interest Involving the Collateral Manager."

**Standard of Care; Limits on Responsibility**

The Collateral Manager shall, subject to the terms and conditions of the Indenture, perform its obligations under the Collateral Management Agreement and under the Indenture with reasonable care, using a degree of skill and attention no less than that which it exercises with regard to comparable assets that it manages for itself, and in a commercially reasonable manner consistent with 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 and/or the Indenture. To the extent not inconsistent with the foregoing, the Collateral Manager shall follow its customary standards, policies and procedures in performing its duties under the Indenture and under the Collateral Management Agreement. The Collateral Manager shall comply in all material respects with all the terms and conditions of the Indenture affecting the duties and functions that have been delegated to it under the Indenture and under the Collateral Management Agreement.

The Collateral Manager, its affiliates and their respective members, principals, partners, managers, directors, officers, stockholders, partners, agents and employees will not be liable to the Co-Issuers, the Trustee, the Collateral Administrator, the Fiscal Agent, the holders of the Offered Securities or any other person for any losses, claims, damages, demands, charges, judgments, assessments, costs or other liabilities incurred by the Co-Issuers, the Trustee, the Fiscal Agent, the holders of the Offered Securities or any other Person that arise out of or in connection with the performance by the Collateral Manager of its duties under the Collateral Management Agreement or the Indenture, or for any decrease in the value of the Collateral; *provided* that the Collateral Manager shall be subject to liability: (i) by reason of acts or omissions of the Collateral Manager constituting bad faith, willful misconduct or gross negligence in the performance, or reckless disregard, of the obligations of the Collateral Manager under the Collateral Management Agreement and under the terms of the Indenture applicable to the Collateral Manager; or (ii) with respect to any representation or warranty made by the Collateral Manager regarding the information concerning the Collateral Manager provided by it for the inclusion in this Offering Circular which information is contained solely under the section entitled "Collateral Manager," such information containing any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (the occurrence of events described in either of clause (i) or (ii), a "Collateral Manager Breach"); *provided* that in no event shall the Collateral Manager or any of its affiliates be liable for consequential, special, exemplary or punitive damages. Any stated limitations on liability shall not relieve the Collateral Manager from any responsibility it has under any state or Federal statutes.

**Disclosure and Consent Provisions Relating to "Principal Trades"**

Section 206(3) of the United States Investment Advisers Act of 1940, as amended (the "Investment Advisers Act") provides that it is unlawful for any investment adviser, directly or indirectly "acting as principal for his own account, knowingly to sell any security to or purchase any security from a client, or acting as broker for a person other than such client,

knowingly to effect any sale or purchase of any security for the account of such client, without disclosing to such client in writing before the completion of such transaction the capacity in which he is acting and obtaining the consent of the client to such transaction." Transactions subject to the foregoing requirements are sometimes referred to as "principal trades."

In that connection, the Indenture provides that each of the Issuer and each Noteholder consents and agrees that, if any transaction shall be subject to the disclosure and consent requirements of Section 206(3) of the Investment Advisers Act, such requirements shall be satisfied with respect to the Issuer and all securityholders thereof if disclosure shall be given to, and consent obtained from, (i) a director of the Issuer or (ii) at the election of the Collateral Manager, either (1) holders of a Majority of the Aggregate Outstanding Amount of the Class C Notes (excluding any such holders that are the Collateral Manager or any affiliate thereof or any account managed thereby) or (2) in another manner that is permitted pursuant to then applicable law.

**Investment Guidelines**

Pursuant to the Collateral Management Agreement, the Collateral Manager must comply with certain investment guidelines in connection with the acquisition of the Collateral Debt Securities. These investment guidelines are contained in the Collateral Management Agreement. In complying with these investment guidelines, the Issuer (or the Collateral Manager on behalf of the Issuer) may rely on advice from Schulte Roth & Zabel LLP or other nationally recognized tax counsel to the effect that the Issuer will not be treated as engaged in a U.S. trade or business for U.S. Federal income tax purposes as a result of the acquisition (including the manner of acquisition), ownership, enforcement and disposition of such Collateral Debt Security.

## COLLATERAL MANAGER

*The information appearing below under the subheadings "ICP Asset Management, LLC" and "Key Personnel" has been prepared by the Collateral Manager and has not been independently verified by the Co-Issuers, the Placement Agent, the Trustee or any other person. Accordingly, the Collateral Manager assumes the responsibility for the accuracy, completeness or applicability of the information appearing under such subheadings.*

### ICP Asset Management, LLC

*General*

The Collateral Manager will be ICP Asset Management, LLC ("ICP"). ICP is an absolute return fixed income investment manager organized in 2004 to provide comprehensive investment advisory services to qualified institutions and individuals. ICP's principal office is located at 445 Park Avenue, New York, New York 10022. ICP combines its proprietary analytic technology, and structuring and origination capabilities with its access to corporate and consumer assets worldwide to control the construction of its structured credit investments and manage a broad spectrum of investment vehicles. ICP conducts trading activity with its customers on both a principal and agency basis.

The Collateral Manager is a registered investment advisor under the United States Investment Advisors Act of 1940, as amended.

Additional information about the Collateral Manager is available upon request from the Collateral Manager.

### Key Personnel

Set forth below is information regarding certain persons who are currently employed by the Collateral Manager, although such persons may not have any responsibility with respect to the day-to-day management of the transaction and may not necessarily continue to be so employed during the entire term of the Collateral Management Agreement.

*Thomas Priore, President and Executive Portfolio Manager*

Thomas Priore is the President and Executive Portfolio Manager of ICP Asset Management LLC. He brings 14 years of structured credit investment and origination experience to ICP. Prior to founding ICP, Mr. Priore managed the Fixed Income and Structured Products Group at Guggenheim Capital Markets for three and half years where he oversaw a team of 30 professionals focused on investing and underwriting Collateralized Debt Obligations, Collateralized Loan Obligations, Collateralized Mortgage Obligations and other Asset Backed Securities. The team at Guggenheim pioneered various structured credit implementations designed to improve secondary CDO market liquidity and to originate new issue CDOs focusing on eliminating the economic inefficiencies and the inherent conflicts among debt and equity participants in CDO structures. He oversaw the origination of $5.5 billion in new issue and the proprietary trading efforts of the group. Before joining Guggenheim in 2000, Mr. Priore was a

First Vice President at PaineWebber Inc. for 8 years in the Fixed Income Sales and Trading department where he brought the firm's first CDO to market in 1998. Mr. Priore is a graduate of Harvard University with a BA in American History and holds a MBA from Columbia University.

*Peter Gaudet, Managing Director*

Peter Gaudet is a Managing Director at ICP Asset Management LLC. He brings 12 years of alternative asset management experience to ICP. Prior to joining ICP, Mr. Gaudet was a Director at Credit Suisse Asset Management ("CSAM") responsible for the origination and management of six alternative investment funds in excess of $2 billion under management. Over seven years at CSAM, Mr. Gaudet's team managed in excess of 700 private and institutional clients and across 7 different underlying asset classes: equities, private equity, opportunistic real estate, REIT private preferred units, commodities, forwards, and swaps. He led, trained, and motivated a team of six professionals to manage and distribute multiple alternative investment products. Before joining CSAM in 1997, Mr. Gaudet was responsible for financial product marketing at Wood, Struthers & Winthrop and served as a financial consultant for Merrill Lynch Private Client Group. He holds Certified Financial Planner and Charter Financial Analysts certifications. Mr. Gaudet is a graduate of the United States Military Academy with a BA in Economics.

*William F. Gahan, Managing Director*

William F. Gahan is a Managing Director at ICP Asset Management LLC. He brings sixteen years of European, US and Emerging Market credit experience to ICP. Prior to joining ICP, Mr. Gahan worked as a portfolio manager with the Greenwich Capital proprietary trading group. His portfolio responsibilities included long and short strategies across global distressed, high yield, and investment grade markets. Mr. Gahan's previous work experience includes consulting distressed debt capital raising and nine years at Paine Webber/Kidder Peabody as an Executive Vice President in their credit trading and sales team. Mr. Gahan is a graduate of the University of Virginia with a BS in International Relations.

*Aamer Abdullah, Director*

Aamer Abdullah is a Director at ICP Asset Management LLC where he is a member of the Asset Backed Securities ("ABS") and Mortgage Backed Securities ("MBS") portfolio management team. Mr. Abdullah has been a trader in the securitized products markets since 1997. After graduating from Yale University with degrees in Electrical Engineering and Economics he joined the Mortgage Trading Desk at Credit Suisse First Boston ("CSFB"). At CSFB Mr. Abdullah held the role of a senior trader on the Agency CMO desk which was top ranked in league tables for 2000. He continued on to run the Non-Agency CMO desk which was consistently ranked in the top three in league tables. While at CSFB he was promoted to Vice President. He then joined Deutsche Bank's Securitized Products Group in 2003 as the Head of Private Label MBS with the title of Director. His responsibilities there included advancing the mortgage effort as well as building out the loan conduit. During his career Mr. Abdullah has structured and traded various securitized products extensively, including Agency CMOs, Non-Agency CMOs, Hybrid ARMS, MBS Passthroughs, unsecuritized loans, mortgage ABS and

mortgage derivatives. In addition he has traded assorted other fixed-income products such as hedges as well as proprietary positions including U.S. Treasury securities, Agency Debentures, Futures and Options in the CBOT, Eurodollars and interest rate derivatives (swaps, caps, swaptions, etc). He has managed securities positions of over $3 billion as well as a loan pipeline of over $4 billion and mortgage derivative positions of over $400 million in market value.

*David S. Parseghian, Vice President*

David S. Parseghian is a Vice President at ICP Asset Management, LLC, where he is a member of the Asset Backed Securities (ABS) and Mortgage Backed Securities (MBS) portfolio management team. He brings nine years of portfolio and risk management experience to ICP. Prior to joining ICP, Mr. Parseghian managed a $5 billion asset/liability portfolio for Empire Corporate FCU, a wholesale liquidity provider for member credit unions. Portfolio assets included high grade agency/non-agency RMBS, ABS, CMBS, and corporate debt. Mr. Parseghian also was responsible for the management of Empire's $500 million commercial paper funding program. Before joining Empire Corporate, Mr. Parseghian was a Manager in the Risk Management function at American Express where he managed credit risk in a $250 million co-brand credit card portfolio. Mr. Parseghian began his career in the Markets Group of the Federal Reserve Bank of New York as a Trading/Finance Associate. At the Fed, he assisted in the implementation of monetary policy, and in the management of the System Open Market Account. Mr. Parseghian is a graduate of Manhattan College with a BS in Business Administration, and he holds an MBA from Rensselaer Polytechnic Institute ("RPI").

## INCOME TAX CONSIDERATIONS

**CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE IRS: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

### In General

The following summary describes the principal U.S. Federal income tax and Cayman Islands tax consequences of the purchase at initial issuance of the Offered Securities and the ownership and disposition of the Offered Securities. For purposes of this section, with respect to each Class of Notes (other than the Class C Notes), the first price at which a substantial amount of Notes of such Class is sold to investors is referred to herein as the "Issue Price." The summary does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Offered Securities. In particular, the summary does not address special tax considerations that may apply to certain types of taxpayers, including securities dealers, securities traders who account for their securities on a mark-to-market basis for tax purposes, banks, tax-exempt investors, insurance companies, subsequent purchasers of Offered Securities, persons that own (directly or indirectly) equity interests in holders of Offered Securities and holders that purchase the Notes for prices other than the respective Issue Prices of the Notes. In addition, this summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the U.S. Federal government and the Cayman Islands. In general, this summary assumes that a holder acquires Offered Securities at original issuance and holds such Offered Securities as a capital asset and not as part of a hedge, a straddle, or a conversion transaction within the meaning of Section 1258 of the Code, a constructive sale transaction within the meaning of Section 1259 of the Code or an integrated transaction. This summary is based on United States and Cayman Islands tax laws, regulations, rulings and decisions in effect or available on the date of this Offering Circular. All of the foregoing are subject to change, which change may apply retroactively and could affect the continued validity of this summary.

This summary is included herein for general information only and there can be no assurance that the tax consequences of an investment in the Offered Securities will be favorable or that such consequences will be as described herein.

As used in this section, the term "U.S. holder" means a beneficial owner of an Offered Security who or that is (i) a citizen or resident of the United States, (ii) an entity taxable as a corporation for U.S. Federal income tax purposes, which is created or organized in or under

the laws of the United States, any state therein or the District of Columbia, (iii) an estate (other than a foreign estate defined in Section 7701(a)(31)(A) of the Code) or (iv) a trust if a court within the United States is able to exercise primary supervision over such trust's administration and one or more U.S. persons have the authority to control all substantial decisions of such trust and certain other trusts that were in existence on August 20, 1996 and that elect to continue to be treated as U.S. persons. The term "non-U.S. holder" means a beneficial owner of a Note who or that is not a U.S. holder.

U.S. persons and non-U.S. persons who own an interest in a holder which is treated as a pass-through entity under the Code will generally receive the same tax treatment, with respect to the material tax consequences of their indirect ownership of the Offered Securities, as is described herein for direct U.S. holders and non-U.S. holders, respectively. Nonetheless, such persons should consult their tax advisors with respect to their particular circumstances, including for issues related to tax elections and information reporting requirements.

**PROSPECTIVE PURCHASERS OF THE OFFERED SECURITIES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL INCOME TAX AND CAYMAN ISLANDS TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE OFFERED SECURITIES AND THE POSSIBLE APPLICATION OF STATE, LOCAL, FOREIGN OR OTHER TAX LAWS.**

**U.S. Federal Tax Considerations**

For U.S. Federal income tax purposes, the Issuer, and not the Co-Issuer, will be treated as the issuer of the Notes.

*Tax Treatment of and Taxes on the Issuer*

Schulte Roth & Zabel LLP, special U.S. Federal income tax counsel to the Issuer, will provide the Issuer with an opinion of counsel to the effect that, although there is no direct authority, the Issuer will not be engaged in a trade or business within the United States for Federal income tax purposes, and accordingly, the Issuer will not be subject to Federal income tax in the United States on its net income or to the branch profits tax except to the limited extent the Issuer is delivered certain equity securities and until such equity securities are sold pursuant to the Indenture. This opinion will be based on certain assumptions regarding the Issuer, including the Issuer's and the Collateral Manager's compliance with the Indenture and the Collateral Management Agreement. Prospective investors should be aware that an opinion of counsel is not binding on the IRS or the courts, and that no ruling will be sought from the IRS regarding the U.S. Federal income tax treatment of the Issuer. Accordingly, there can be no assurance that the IRS or a court will agree with the opinion of Schulte Roth & Zabel LLP. If the Issuer were treated as engaged in a trade or business in the United States, the Issuer would be potentially subject to substantial U.S. Federal income taxes. The imposition of such taxes would materially affect the Issuer's financial ability to make payments of principal of and interest on the Notes.

Although the Issuer is generally not intended to be subject to U.S. Federal income tax on its net income, certain income derived by the Issuer may be subject to withholding taxes imposed by the United States or other countries. It is not expected that the Issuer will derive material amounts of income that would be subject to United States withholding taxes.

*Tax Treatment of U.S. Holders of the Class A-1, Class A-2, Class B and Class X Notes*

*Status of the Notes*. Upon the issuance of the Notes, Schulte Roth & Zabel LLP will deliver an opinion that, although there is no direct authority, the Class A-1 Notes and the Class A-2 Notes will be characterized as debt for U.S. Federal income tax purposes. Such opinion will assume compliance with the Indenture and other related documents. Investors should be aware that such opinion of counsel is not binding on the IRS or the courts. The Issuer will agree and, by their purchase of the Notes, holders and beneficial owners of the Notes will be deemed to have agreed, to treat the Notes (other than the Class C Notes) as debt for U.S. Federal income tax purposes; *provided, however*, that the holders of Class B Notes and Class X Notes will not be required to treat the Class B Notes and Class X Notes as debt with respect to certain reporting requirements under the Code. See the discussion below under "Transfer and Other Reporting Requirements."

If it were determined by the IRS or the courts that the Class B Notes or the Class X Notes should be treated as equity for U.S. Federal income tax purposes, the tax treatment of U.S. holders of such Notes will be the same as the tax treatment of U.S. holders of Class C Notes that have not made a "QEF election," as described below under "Tax Treatment of U.S. Holders of Class C Notes." U.S. holders should consider the tax consequences of an investment in the Class B Notes or the Class X Notes under either possible characterization. Except as otherwise indicated, the balance of this discussion assumes that the Notes (other than the Class C Notes) are treated as debt for U.S. Federal income tax purposes.

*Interest, Discount or Premium on the Notes*. In general, a U.S. holder of a debt instrument is required to include payments of qualified stated interest (i.e., interest which is unconditionally payable at least annually at a single fixed rate or at a floating rate that meets certain requirements) received thereon, in accordance with such holder's method of accounting, as ordinary interest income generally from sources outside the United States. If, however, the Issue Price of the debt instrument is less than the "Stated Redemption Price at Maturity" of such debt instrument by more than a de minimis amount, a U.S. holder will be considered to have purchased such debt instrument with original issue discount ("OID"). The "Stated Redemption Price at Maturity" is the sum of all payments to be received on the debt instrument other than payments of qualified stated interest. If a U.S. holder acquires a debt instrument with OID, then, regardless of such holder's method of accounting, the holder will be required to accrue OID on a constant yield basis and include such accruals in gross income without regard to the timing of actual payments.

It is not anticipated that the Class A-1 Notes, the Class A-2 Notes or the Class B Notes will be issued with OID. Therefore, U.S. holders of the Class A-1 Notes, the Class A-2 Notes and the Class B Notes will include stated interest thereon as ordinary interest income generally from sources outside the United States, in accordance with their method of accounting. If there is more than a remote likelihood that interest payments on the Class X Notes will be

deferred, all interest payable on the Class X Notes and any discount between the Issue Price and the stated principal amount of the Class X Notes would be treated as OID. In that case, a U.S. holder would be required to include OID in ordinary income on the basis of a constant yield to maturity, whether or not such holder receives a cash payment on any payment date. U.S. holders should treat each Class X Principal Amount as return of principal.

The Issuer has not been able to determine whether the likelihood of interest being deferred on the Class X Notes is not remote, and therefore expects to treat interest payable on the Class X Notes and any discount attributable to the difference between the Issue Price and the stated principal amount of the Class X Notes as OID. U.S. holders of the Class X Notes will be required to accrue and include in gross income the sum of "daily portions" of total OID on such Notes as ordinary income generally from sources outside the United States, for each day during the taxable year on which the U.S. holder held such Notes, generally under a constant yield method, regardless of such U.S. holder's method of accounting and without regard to the timing of actual payments on such Notes. The Issuer intends to accrue OID attributable to the accrual of interest (at the applicable Note Interest Rate) on such Notes over the entire term of such Notes with respect to the unpaid balance thereof and, in the absence of controlling authority, the remaining discount, if any, over the entire term of the non-call period, although other methods of accruing such discount may be accepted by the IRS or a court. In accordance with this method, U.S. holders of the Class X Notes may be required to include in gross income increasingly greater amounts of OID and may be required to include OID in advance of the receipt of cash attributable to such income. Because the Class X Notes provide for a floating rate of interest, the amount of OID to be accrued over the term of such Notes will be based initially on the assumption that the floating rate in effect for the first accrual period of the Class X Notes will remain constant throughout their term. To the extent such rate varies with respect to any accrual period, such variation shall be reflected in an increase or decrease of the amount of OID accrued for such period. As a result of the complexity of the OID rules, each U.S. holder of a Class X Note should consult its own tax advisor regarding the impact of the OID rules on its investment in such Note.

Accrual of OID, if any, on the Notes may be subject to special rules that require use of a prepayment assumption and apply to debt instruments, the payments on which may be accelerated by reason of prepayments of other obligations securing those instruments.

In general, if the Issue Price of a Note exceeds the Stated Redemption Price at Maturity of such Note, a U.S. holder will be considered to have purchased such Note at a premium. In this event, a U.S. holder may elect to amortize the amount of such premium, using a constant rate, as an offset to interest income. It is not anticipated that the Notes will be issued at a premium.

*Sale, Exchange and Retirement of the Notes.* In general, a U.S. holder of a Note will have a basis in such Note equal to the cost of such Note to such holder increased by the amount of accrued OID, if any, and reduced by (i) any amortized premium applied to reduce, or allowed as a deduction against, interest on such Note and (ii) any payments other than payments of qualified stated interest on such Note. Upon a sale, exchange or retirement of a Note, a U.S. holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which would be taxable as such)

and the holder's adjusted tax basis in such Note. Generally, such gain or loss will be long-term capital gain or loss if the U.S. holder held the Note for more than one year at the time of disposition. Gain recognized by a U.S. holder on the sale, exchange or retirement of a Note generally will be treated as from sources within the United States.

*Tax Treatment of U.S. Holders of Class C Notes*

Although in the form of debt, the Issuer will treat, and by the purchase of a Class C Note, each holder of a Class C Note is deemed to agree to treat, the Class C Notes as equity of the Issuer for U.S. Federal income tax purposes. The following discussion regarding the tax treatment of an investment in Class C Notes is intended to apply to U.S. holders of such Class C Notes. However, if the Class B Notes or the Class X Notes were to be recharacterized as equity for U.S. tax purposes, similar tax consequences will apply to U.S. holders of such Notes. It should be noted that holders of the Class B Notes or the Class X Notes may not be able to make timely the QEF election described below as they will have agreed in the Indenture or the Fiscal Agency Agreement generally to treat such Notes as debt for all tax purposes unless and until otherwise required by an applicable taxing authority.

*Investment in a Passive Foreign Investment Company*. The Class C Notes will constitute equity interests in the Issuer for U.S. Federal income tax purposes. In addition, the Issuer will constitute a PFIC. Accordingly, U.S. holders of Class C Notes will be considered U.S. shareholders in a PFIC. In general, to avoid certain adverse tax rules (described below) that apply to deferred income from a PFIC, a U.S. holder may desire to make an election to treat the Issuer as a QEF with respect to such holder. Generally, a QEF election may be made on or before the due date for filing a U.S. holder's U.S. Federal income tax return for the first taxable year for which such U.S. holder held Class C Notes. An electing U.S. holder will be required to include in gross income such holder's *pro rata* share of the Issuer's ordinary earnings and to include as long-term capital gain such holder's *pro rata* share of the Issuer's net capital gain (including gains realized upon sales of securities), whether or not distributed, assuming that the Issuer does not constitute a "controlled foreign corporation" in which the shareholder is a *"U.S. Shareholder*" (as defined below), as discussed below. A U.S. holder will not be eligible for the preferential income tax rate on qualified dividend income or the dividends received deduction in respect of such income or gain. In addition (i) any net losses (including losses arising from credit event payments made by the Issuer under any Synthetic Security, which losses may be substantial) of the Issuer in a taxable year will not be available to such U.S. holder, (ii) the Issuer's current year income subject to inclusion under the QEF rules is not reduced by prior years losses and (iii) any tax benefit from such losses is effectively available only when a U.S. holder sells or disposes of its Class C Notes (*i.e.* when such U.S. holder recognizes a capital loss or reduced capital gain on such Class C Notes). In certain cases in which a QEF does not distribute all of its earnings in a taxable year, U.S. holders of Class C Notes may also be permitted to elect generally to defer payment of the taxes on the QEF's undistributed earnings until such amounts are distributed or the Class C Notes are disposed of, subject to an interest charge on the deferred amount.

Prospective purchasers of Class C Notes should be aware that it is expected that some of the Collateral Debt Securities may be purchased by the Issuer with original issue discount. As a result, the Issuer may recognize ordinary income from such instruments but the

receipt of cash attributable to such income may be deferred, perhaps for a substantial period of time. Thus, absent an election to defer payment of taxes, U.S. holders of Class C Notes that make a QEF election may owe tax on amounts of "phantom" income. Moreover, some or all of the income received by the Issuer will be used to pay principal on the Class A-1 Notes, Class A-2 Notes, Class B Notes and Class X Notes and will not be available for distribution to holders of the Class C Notes.

The Issuer will provide all information that a U.S. holder of Class C Notes making a QEF election is required to obtain for U.S. Federal income tax purposes (*e.g.*, the U.S. holder's *pro rata* share of ordinary income and net capital gain) and will provide a "PFIC Annual Information Statement" as described in U.S. Treasury Regulations, including all representations and statements required by such statement, and will take other reasonable steps to facilitate such election.

If the Issuer invests in the equity of other PFICs, a U.S. holder of Class C Notes would have to make a separate QEF election with respect to any such other PFIC. In such case, the Issuer will provide, to the extent it receives, the information needed for U.S. holders to make such a QEF election. U.S. holders should consult their own tax advisors with respect to the tax consequences of such a situation.

If a U.S. holder of Class C Notes does not make a timely QEF election and the PFIC rules are otherwise applicable, a U.S. holder (other than certain U.S. holders that are subject to the rules relating to a "controlled foreign corporation" described below) would be required to report any gain on disposition of any Class C Notes as ordinary income and to compute the tax liability on such gain and certain "excess distributions" as if the items had been earned ratably over each day in the U.S. holder's holding period for the Class C Notes and would be subject to the highest ordinary income tax rate for each prior taxable year in which the items were treated as having been earned, regardless of the rate otherwise applicable to the U.S. holder. Such U.S. holder would also be liable for an additional tax equal to interest on the tax liability attributable to such income allocated to prior years as if such liability had been due with respect to each such prior year. For purposes of these rules, gifts, bequests or exchanges pursuant to corporate reorganizations and use of the Class C Notes as security for a loan may be treated as a taxable disposition. An "excess distribution" is the amount by which distributions during a taxable year in respect of a Class C Note exceed 125 percent of the average amount of distributions in respect thereof during the three preceding taxable years (or, if shorter, the U.S. holder's holding period for the Class C Note). In addition, a stepped-up basis in the Class C Notes upon the death of an individual U.S. holder may not be available.

U.S. HOLDERS OF CLASS C NOTES SHOULD CONSIDER CAREFULLY WHETHER TO MAKE A QEF ELECTION WITH RESPECT TO THE CLASS C NOTES AND THE CONSEQUENCES OF NOT MAKING SUCH AN ELECTION.

*Investment in a Controlled Foreign Corporation*. Depending on the degree of ownership of the equity interests in the Issuer by "U.S. Shareholders" (as defined below), the Issuer may constitute a CFC. In general, a foreign corporation will constitute a CFC if more than 50% of the shares of the corporation, measured by reference to combined voting power or value, are held, directly or indirectly, by U.S. Shareholders. A "*U.S. Shareholder*," for this purpose, is

any person that is a U.S. person for U.S. Federal income tax purposes that possesses (actually or constructively) 10% or more of the combined voting power of all classes of shares of a corporation (persons who own interests in a U.S. pass-through entity which is a U.S. Shareholder will also be subject to the CFC rules described below). It is possible that the IRS would assert that the Class C Notes (and the Class B Notes and/or the Class X Notes, if treated as equity for U.S. Federal income tax purposes) are voting securities and that U.S. holders possessing 10% or more of the Class C Notes (and the Class B Notes and/or the Class X Notes, if treated as equity for U.S. Federal income tax purposes), are U.S. Shareholders for purposes of the CFC rules. If this argument were successful and more than 50% of such interests were held by such U.S. Shareholders, the Issuer would be treated as a CFC.

If the Issuer should constitute a CFC, each U.S. Shareholder of the Issuer would be treated, subject to certain exceptions, as receiving ordinary income at the end of the taxable year of the Issuer in an amount equal to that person's *pro rata* share of the "subpart F income" and certain other income of the Issuer. Among other items, and subject to certain exceptions, "subpart F income" includes dividends, interest, annuities, gains from the sale of shares and securities, certain gains from commodities transactions, certain types of insurance income, income from certain notional principal contracts (e.g. swaps and caps) and income from certain transactions with related parties. It is likely that predominantly all of the Issuer's income would be subpart F income. If more than 70% of the Issuer's gross income is subpart F income in any year, 100% of its income in such year would be treated as subpart F income. Prospective purchasers of the Class C Notes should be aware that such income of the Issuer may significantly exceed the Issuer's distributions on the Class C Notes for one or more periods, and that a U.S. Shareholder may owe tax on significant amounts of "phantom income."

If the Issuer should be treated as a CFC, a U.S. Shareholder of the Issuer would be taxable on the subpart F income of the Issuer under the rules applicable to a CFC described in the preceding paragraph and not under the PFIC rules previously described. As a result, to the extent subpart F income of the Issuer includes net capital gains, such gains will be treated as ordinary income of the U.S. Shareholder under the CFC rules, notwithstanding the fact that the character of such gains generally would otherwise be preserved under the PFIC rules if a QEF election had been made. Also, the PFIC rule permitting the deferral of tax on undistributed earnings would not apply.

*Distributions on Class C Notes*. The treatment of actual distributions of cash on the Class C Notes, in very general terms, will vary depending on whether a U.S. holder has made a timely QEF election as described above. See "*—Investment in a Passive Foreign Investment Company*." If a timely QEF election has been made, distributions should be allocated first to amounts previously taxed pursuant to the QEF election (or pursuant to the CFC rules, if applicable) and to this extent would not be taxable to U.S. holders. Distributions in excess of such previously taxed amounts and any remaining amounts of earnings and profits will generally be treated first as a nontaxable return of capital to the extent of the holder's tax basis in the Class C Notes and then as capital gain.

In the event that a U.S. holder does not make a timely QEF election, then, except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC rules, some or all of any distributions with respect to the Class C Notes may constitute

excess distributions, taxable as previously described. See "*—Investment in a Passive Foreign Investment Company*."

Distributions on the Class C Notes will not constitute "qualified dividend income" eligible, in the case of individuals, for a reduced rate of tax.

*Sale, Redemption or Other Disposition of Class C Notes*. In general, a U.S. holder of a Class C Note will recognize gain or loss upon the sale or other disposition of a Class C Note equal to the difference between the amount realized and such holder's adjusted tax basis in the Class C Note. If a U.S. holder has made a timely QEF election as described above, such gain or loss will be long-term capital gain or loss if the U.S. holder held the Class C Notes for more than 12 months at the time of the disposition.

Initially, the tax basis of a U.S. holder should equal the amount paid for a Class C Note. Such basis will be increased by amounts taxable to such holder by virtue of a QEF election or the CFC rules and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or are treated as nontaxable returns of capital (as described above).

If a U.S. holder does not make a timely QEF election as described above, any gain realized on the sale or other disposition of a Class C Note will be subject to an interest charge and taxed as ordinary income under the special tax rules described above. See "*—Investment in a Passive Foreign Investment Company*."

If the Issuer is treated as a CFC and a U.S. holder is treated as a "U.S. Shareholder" therein, then any gain realized by such holder upon the disposition of Class C Notes will be treated as ordinary income to the extent of such U.S. Shareholder's share of the current and accumulated earnings and profits of the Issuer. In this respect, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC rules.

*Transfer and Other Reporting Requirements*. U.S. holders of the Class C Notes (and the Class B Notes and/or the Class X Notes, if treated as equity for U.S. Federal income tax purposes) will generally be required to report to the IRS on Form 926 certain information relating to such holders' purchase of the Class C Notes (or the Class B Notes and/or the Class X Notes) at initial issuance. **In the event a U.S. holder fails to file any such required form, the U.S. holder could be subject to a penalty equal to 10% of the gross amount paid for the Class C Notes (or the Class B Notes and/or the Class X Notes) subject to a maximum penalty equal to $100,000 (except in cases of intentional disregard).** U.S. holders of Class C Notes, the Class B Notes and/or the Class X Notes are urged to consult with their own tax advisors regarding these reporting requirements and any other reporting requirements, such as an IRS Form 5471, which may apply to such holders.

*Tax-Exempt Investors*.

Special considerations apply to pension plans and other investors ("Tax-Exempt Investors") that are subject to tax only on their unrelated business taxable income ("UBTI"). A Tax-Exempt Investor's income from an investment in the Offered Securities generally will not be

treated as resulting in UBTI, so long as such investor's acquisition of Offered Securities is not debt-financed. A Tax-Exempt Investor that owns more than 50% of the Class C Notes (and the Class B Notes and/or the Class X Notes, if treated as equity for U.S. Federal income tax purposes) of the Issuer and also owns Notes treated as debt should consider the application of the special UBTI rules for interest received from controlled entities. Tax-Exempt Investors should consult their own tax advisors regarding an investment in the Offered Securities.

*Tax Treatment of Non-U.S. Holders of Notes*

Subject to the discussion below regarding "backup withholding," a non-U.S. holder of the Offered Securities will be exempt from any U.S. Federal income or withholding taxes with respect to gain derived from the sale, exchange, or redemption of, or any distributions received in respect of, Offered Securities of the Issuer, unless such gain or distributions are effectively connected with a U.S. trade or business of such holder, or, in the case of a gain, such holder is a nonresident alien individual who holds the Offered Securities as a capital asset and who is present in the United States for 183 days or more in the taxable year of the disposition, and certain other conditions are satisfied.

*Information Reporting and Backup Withholding*

Under certain circumstances, the Code requires information reporting annually to the IRS and to each holder, and "backup withholding" with respect to certain payments made on or with respect to the Offered Securities. These requirements generally do not apply with respect to certain holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. Backup withholding will apply to a U.S. holder only if the U.S. holder (i) fails to furnish its Taxpayer Identification Number ("TIN"), which for an individual would be his or her Social Security Number, (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that it has failed to properly report payments of interest and dividends or (iv) under certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN. The application for exemption is available by providing a properly completed IRS Form W-9. Each U.S. holder agrees that by such holder's acceptance of an Offered Security or an interest therein that such holder will provide (or cause to be provided) to the Issuer (or the Trustee on behalf of the Issuer) or other applicable withholding agent a properly completed IRS Form W-9 signed under penalties of perjury.

A non-U.S. holder that provides IRS Form W-8BEN, IRS Form W-8IMY or other applicable form, together with all appropriate attachments, signed under penalties of perjury, identifying the non-U.S. holder and stating that the non-U.S. holder is not a United States person will not be subject to the IRS reporting requirements relating to U.S. withholding and backup withholding. In addition, IRS Form W-8BEN or other applicable form will be required from the beneficial owners of interests in a non-U.S. holder that is treated as a partnership (or as a trust of certain types) for U.S. Federal income tax purposes. Each non-U.S. holder agrees that by such holder's acceptance of an Offered Security or an interest therein that such holder will provide (or cause to be provided) to the Issuer (or the Trustee on behalf of the Issuer) or other applicable withholding agent a properly completed IRS Form W-8BEN, IRS Form W-8IMY or other applicable form signed under penalties of perjury.

The payment of the proceeds on the disposition of an Offered Security by a holder to or through the U.S. office of a broker generally will be subject to information reporting and backup withholding unless the holder either certifies its status as a non-U.S. holder under penalties of perjury on IRS Form W-8BEN, IRS Form W-8IMY or other applicable form (as described above) or otherwise establishes an exemption. The payment of the proceeds on the disposition of an Offered Security by a non-U.S. holder to or through a non-U.S. office of a non-U.S. broker will not be subject to backup withholding or information reporting unless the non-U.S. broker is a "U.S. Related Person." The payment of proceeds on the disposition of an Offered Security by a non-U.S. holder to or through a non-U.S. office of a U.S. broker or a U.S. Related Person generally will not be subject to backup withholding but will be subject to information reporting unless the holder certifies its status as a non-U.S. holder under penalties of perjury or the broker has certain documentary evidence in its files as to the non-U.S. holder's foreign status and the broker has no actual knowledge to the contrary.

For this purpose, a "U.S. Related Person" is (i) a "controlled foreign corporation" for U.S. Federal income tax purposes, (ii) a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment (or for such part of the period that the broker has been in existence) is derived from activities that are effectively connected with the conduct of a U.S. trade or business or (iii) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a U.S. trade or business.

Backup withholding is not an additional tax and may be refunded (or credited against the holder's U.S. Federal income tax liability, if any); *provided* that certain required information is furnished. The information reporting requirements may apply regardless of whether withholding is required. Copies of the information returns reporting such interest and withholding also may be made available to the tax authorities in the country in which a non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement.

*Tax Shelter Reporting Requirements*

Pursuant to Treasury Regulations directed at tax shelter activity, taxpayers are required to disclose to the IRS certain information on IRS Form 8886 if they participate in a "reportable transaction." A transaction may be a "reportable transaction" based upon any of several indicia with respect to a holder, including the recognition of a loss. In addition, a U.S. holder of 10% of the Class C Notes (or the Class B Notes and/or the Class X Notes, if treated as equity for U.S. Federal income tax purposes) could be subject to these disclosure requirements if the Issuer engages in any "reportable transaction." A significant penalty will be imposed on taxpayers who participate in a "reportable transaction" and fail to make the required disclosure in tax returns and statements. The penalty is generally U.S.$10,000 for natural persons and U.S.$50,000 for other persons (increased to U.S.$100,000 and U.S.$200,000, respectively, if the reportable transaction is a "listed" transaction). Investors should consult their own tax advisors concerning any possible disclosure obligation with respect to their investment in the Issuer and the penalty discussed above.

**Cayman Islands Tax Considerations**

For purposes of Cayman Islands law, all Classes of Notes will be characterized as debt of the Issuer.

The following comments are based on advice of Walkers received by the Issuer regarding current law and practice in the Cayman Islands and are intended to assist investors in the Notes. Investors should consult their professional advisors on the possible tax consequences of such investors subscribing for, purchasing, holding, selling or redeeming Notes under the laws of such investors' countries of citizenship, residence, ordinary residence or domicile.

The following is a general summary of Cayman Islands taxation in relation to the Notes and the Offered Shares.

Under existing Cayman Islands laws:

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

(b) the holder of any Note (or the legal personal representative of such holder), if such Note is brought into the Cayman Islands, may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Note. In addition, an instrument transferring title to a Note, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

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

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

In accordance with the provisions of Section 6 of the Tax Concessions Law (1999 Revision) the Governor in Cabinet undertakes with:

*Triaxx Prime CDO 2006-2*, Ltd., "the Company"

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

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

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

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

These concessions shall be for a period of TWENTY years from the 14th day of November, 2006.

GOVERNOR IN CABINET"

The Cayman Islands does not have a double tax treaty arrangement with the U.S. or any other country.

**THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE TAX IMPLICATIONS OF AN INVESTMENT IN THE NOTES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF SUCH INVESTOR'S CIRCUMSTANCES.**

## ERISA CONSIDERATIONS

**CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE IRS: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain duties on persons who are fiduciaries of employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA ("ERISA Plans") and of entities whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entities. These duties include investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and liquidity needs and all of the facts and circumstances of the investment, including the availability of a public market for the investment. In addition, certain U.S. Federal, state and local laws impose similar duties on fiduciaries of governmental and/or church plans that are not subject to ERISA.

Any fiduciary of an ERISA Plan, of an entity whose assets are treated as "plan assets" of ERISA Plans by reason of an ERISA Plan's investment in such entity, or of a governmental or church plan that is subject to fiduciary standards similar to those of ERISA ("plan fiduciary"), that proposes to cause such a plan or entity to purchase 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 Code prohibit certain transactions ("prohibited transactions") involving the assets of ERISA Plans, plans described in Section 4975(e)(1) of the Code or entities deemed to hold assets of the aforementioned plans (together with ERISA Plans, "Plans") and certain persons (referred to as "Parties In Interest" in ERISA and as "Disqualified Persons" in Section 4975 of the Code) having certain relationships to such plans 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 Trustee, the Collateral Manager, each Hedge Counterparty and/or the Placement Agent as a result of its own activities or because of the activities of an affiliate, may be considered a Party In Interest or a Disqualified Person with respect to Plans. Accordingly, prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if Offered Securities are acquired by a Plan with respect to which any of the Issuer, the Co-Issuer, the Trustee, the Collateral Manager, the Placement Agent, a Hedge Counterparty the obligors on the Collateral Debt Securities or any of their respective affiliates is a Party In Interest or Disqualified Person. In addition, if a Party In Interest or Disqualified Person with respect to a Plan owns or acquires a beneficial interest in the Issuer or the Co-Issuer, the acquisition or holding of Notes by or on behalf of the Plan could be considered to constitute an indirect prohibited transaction under ERISA or Section 4975 of the Code. Moreover, the acquisition or holding of Offered Securities or other indebtedness issued by the Issuer or the Co-Issuer by or on behalf of a Party In Interest or Disqualified Person with respect to a Plan that owns or acquires a beneficial interest in the Issuer or the Co-Issuer, as the case may be, also could give rise to an indirect prohibited transaction under ERISA or Section 4975 of the Code. Certain statutory or administrative exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA, regarding transactions with service providers to an ERISA plan; 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 statutory or administrative exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions under ERISA or Section 4975 of the Code. If a purchase of Offered Securities were to be a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, the purchase might have to be rescinded.

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

The United States Department of Labor, the government agency primarily responsible for administering the ERISA fiduciary rules and the prohibited transaction rules under ERISA and Section 4975 of the Code, has issued a regulation (the "Plan Asset

Regulation") which, as modified by Section 3(42) of ERISA, sets forth the rule that if ERISA Plans and/or Individual Retirement Accounts acquire "equity interests" in an entity, then, under certain specified circumstances, the investment manager of that entity, and entities with certain specified relationships to a Plan, are required to "look through" the entity, including investment vehicles such as the Issuer, and treat as an "asset" of the ERISA Plan or Individual Retirement Account an undivided interest in each investment made by such entity. Under Section 3(42) of ERISA, if Benefit Plan Investors own less than twenty-five percent (or such greater percentage as may be specified in regulations promulgated by the U.S. Department of Labor) of the value of any class of equity interest in the entity (the "25% Threshold) then the "look through" rule will not apply to such entity. "Benefit Plan Investors" are defined in Section 3(42) of ERISA to include (1) any "employee benefit plan" (as defined in Section 3(3) of ERISA), that is subject to the provisions of Title I of ERISA, (2) any plan that is subject to the prohibited transaction provisions of Section 4975 of the Code, and (3) any entity whose assets are treated as "plan assets" under ERISA by reason of any of the aforementioned plan's investment in the entity. If Benefit Plan Investors, after the most recent acquisition of any equity interest in the entity, own 25% (or such higher percentage as may be specified in regulations promulgated by the U.S. Department of Labor) 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 such entity or providing investment advice with respect to the assets of such entity for a fee, direct or indirect, or any affiliates of such persons (any such person, a "Controlling Person")) is held by Benefit Plan Investors then, the look through rule shall apply.

There is little pertinent authority in this area. Although the issue is not free from doubt, on the date of issuance, it is not anticipated that the Class A-1 Notes or the Class A-2 Notes will constitute "equity interests" (for purposes of the Plan Asset Regulation) in the Co-Issuers. Accordingly, no measures (such as those described below with respect to the Class B Notes, Class X Notes or Class C Notes will be taken to restrict investment in the Class A-1 Notes or the Class A-2 Notes (the "ERISA-Unrestricted Notes") by Benefit Plan Investors. However, there can be no assurance that each such Class of Notes would be characterized by the United States Department of Labor or others as indebtedness and not as equity interests on the date of issuance or at any given time thereafter. In addition, the status of any Class of Notes as indebtedness could be affected, subsequent to their issuance, by certain changes in the structure or financial condition of the Co-Issuers.

Although there is no authority directly on point, it is possible that the Class B Notes and the Class X Notes (the "ERISA-Restricted Notes") may be treated as equity interests for purposes of the Plan Asset Regulation. Accordingly, the Issuer intends to prohibit the acquisition of interests in the ERISA-Restricted Notes by Benefit Plan Investors. Interests in the ERISA-Restricted Notes may not be purchased or held by Benefit Plan Investors, including for this purpose, an insurance company general account any of the underlying assets of which constitute "plan assets" under Section 401(c) of ERISA (and a wholly owned subsidiary of such a general account). Each Original Purchaser and each transferee of an ERISA-Restricted Note or an interest therein will be deemed to represent a warrant that it is not and that it will not become during the period it holds such ERISA-Restricted Notes or an interest therein, a Benefit Plan Investor, including for this purpose, an insurance company general account any of the underlying assets of which constitute "plan assets" under Section 401(c) of ERISA (and a wholly owned

subsidiary of such a general account)). Interests in the ERISA-Restricted Notes may be purchased by an insurance company's general account (and a wholly owned subsidiary of such a general account), but only if no portion of the underlying assets of its "general account" (as determined by such insurance company) constitute "plan assets" under Section 401(c) of ERISA. As of any later date on which any Person purchases any of the ERISA-Restricted Notes, if the holder of a beneficial interest in an ERISA-Restricted Note is a Benefit Plan Investor, including for this purpose, an insurance company general account any of the underlying assets of which constitute "plan assets" under Section 401(c) of ERISA (and a wholly owned subsidiary of such a general account), then such holder is required to dispose of the ERISA-Restricted Notes then held by it before the end of the next calendar quarter. (See "Transfer Restrictions.")

It is likely that the Class C Notes will constitute "equity interests" in the Co-Issuers. Accordingly, it is intended that the ownership interests in the Class C Notes that are held by Benefit Plan Investors will be maintained at a level below the 25% Threshold (determined after disregarding the Class C Notes held by Controlling Persons) by prohibiting the acquisition or transfer of interests in Regulation S Class C Notes by or to Benefit Plan Investors or Controlling Persons and by limiting the acquisition or transfer of Restricted Definitive Class C Notes by or to Benefit Plan Investors or Controlling Persons.

No interest in a Regulation S Class C Note may be sold or transferred to a Benefit Plan Investor or a Controlling Person after the Closing Date. Each Original Purchaser and each transferee of an interest in a Regulation S Global Class C Note will be required to certify (and in certain cases deemed to represent and warrant) that it is not and will not become during the period it holds such Regulation S Global Class C Note or an interest therein a Benefit Plan Investor or a Controlling Person.

Each Original Purchaser and each transferee of Restricted Definitive Class C Notes from the Issuer and the Placement Agent will be required to certify in the Investor Application Form pursuant to which such Class C Notes are purchased or in the applicable transfer certificate whether or not it is a Benefit Plan Investor or a Controlling Person. No purchase or transfer of a Restricted Definitive Class C Note to a Benefit Plan Investor or a Controlling Person will be permitted unless, after giving effect to such purchase or transfer, the 25% Threshold will be satisfied. Any subsequent transferee that acquires Restricted Definitive Class C Notes will be required to represent as to similar matters in the transfer certificate delivered to the Issuer and the Junior Note Registrar in connection with such transfer. In particular, each owner of an interest in a Restricted Definitive Class C Note will be required to execute and deliver to the Issuer and the Junior Note Registrar a transfer certificate in the form attached as an exhibit to the Fiscal Agency Agreement to the effect that such owner will, prior to any sale, pledge or other transfer by it of any Restricted Definitive Class C Note (or any interest therein), obtain from the transferee a duly executed transferee certificate in the form attached to the Fiscal Agency Agreement, and such other certificates and other information as the Issuer or the Fiscal Agent may reasonably require to confirm that the proposed transfer substantially complies with the transfer restrictions contained in the Fiscal Agency Agreement.

If for any reason the assets of the Issuer are treated as "plan assets" of a Plan subject to Title I of ERISA or the prohibited transaction provisions of Section 4975 of the Code because one or more such Plans is an owner of ERISA-Restricted Notes, Class C Notes or other

"equity interests" of the Issuer, certain transactions that either of the Co-Issuers might enter into, or may have entered into, in the ordinary course of 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 treated as "plan assets" of a Plan subject to Title I of ERISA or the prohibited transaction provisions of Section 4975 of the Code, the payment of certain of the fees by the Issuer might be considered to be a non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code. Moreover, if the assets of the Issuer were treated as "plan assets," there are several provisions of ERISA that could be implicated if an ERISA Plan were to acquire and hold Class C Notes either directly or by investing in an entity whose underlying assets are deemed to be assets of the ERISA Plan. It is not clear that Section 403(a) of ERISA, which generally requires that all of the assets of an ERISA Plan be held in trust and limits delegation of investment management responsibilities by fiduciaries of ERISA Plans, would be satisfied. It is also not clear whether Section 404(b) of ERISA, which generally provides that no fiduciary may maintain the indicia of ownership of any assets of a plan outside the jurisdiction of the district courts of the United States, would be satisfied or any of the exceptions to this requirement set forth in 29 C.F.R. Section 2550.404b-1 would be available.

In addition, it should be noted that, if an ERISA-Unrestricted Note is acquired by a Plan with respect to which a holder of an ERISA-Restricted Note or a Class C Note is a Party In Interest or a Disqualified Person, such transaction could be deemed to be a direct or indirect violation of the prohibited transaction rules of ERISA and Section 4975 of the Code unless such Plan's purchase and holding of ERISA-Unrestricted Notes were subject to one or more statutory, regulatory, or administrative exemptions from the prohibited transaction rules of ERISA and Section 4975 of the Code. In this regard, each ERISA Plan, each Individual Retirement Account and each Person investing assets of an entity that are treated as "plan assets" under ERISA, that purchases ERISA-Unrestricted Notes will be deemed to represent and warrant that its purchase of such ERISA-Unrestricted Notes will not constitute a non-exempt prohibited transaction in violation of Section 406 of ERISA and Section 4975 of the Code.

Each purchaser and subsequent transferee of an interest in the Class MT Notes will be required to have represented, warranted and agreed that no Class MT Notes may be purchased by or transferred to a Benefit Plan Investor. In addition, each purchaser and subsequent transferee of an interest in the Class MT Notes will be required to have represented, warranted and agreed that either (i) it is not acting on behalf of a governmental, church, or non-U.S. plan which is subject to any Similar Law or (ii) its acquisition, holding and disposition of the Class MT Notes or any beneficial interest therein will not constitute or result in a non-exempt violation of any Similar Law, and will not subject the Issuer or the Collateral Manager to any laws, rules or regulations applicable to such a plan solely as a result of the investment in the Issuer by such a plan. The purchaser, and any fiduciary of the purchaser causing it to acquire an interest in the Class MT Notes, agrees to indemnify and hold harmless the Issuer, the Trustee, the Class MT Note Registrar, the Collateral Manager, the Placement Agent and their respective Affiliates from any cost, damage or loss incurred by them as a result of any such representations being or becoming false. Any purported purchase or transfer of an interest in Class MT Notes by a purchaser or to a transferee that does not comply with the foregoing shall be null and void *ab initio* and will not operate to transfer any rights to the purchaser, notwithstanding any

instructions to the contrary to the Issuer, the Trustee, the Class MT Note Registrar or any intermediary.

The sale of any Offered Security to a Plan is in no respect a representation by the Issuer, the Placement Agent 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 CLASS A-1 NOTE OR CLASS A-2 NOTE (EACH, AN "ERISA-UNRESTRICTED NOTE") OR ANY 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 SUCH NOTE OR ANY INTEREST THEREIN WILL NOT BE), AND IS NOT (AND FOR SO LONG AS IT HOLDS ANY SUCH NOTE OR ANY INTEREST THEREIN WILL NOT BE) ACTING ON BEHALF OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, A "PLAN" THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986. AS AMENDED (THE "CODE"), AN ENTITY WHOSE ASSETS ARE TREATED AS "PLAN ASSETS" OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN PURSUANT TO ERISA, 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 NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY SUCH LAW OR SIMILAR LAW).

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A CLASS B NOTE OR A CLASS X NOTE (EACH, AN "ERISA-RESTRICTED NOTE") OR ANY INTEREST THEREIN IS DEEMED TO REPRESENT AND WARRANT THAT SUCH HOLDER IS NOT (AND FOR SO LONG AS IT HOLDS SUCH AN ERISA-RESTRICTED NOTE OR ANY INTEREST THEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH AN ERISA-RESTRICTED NOTE OR ANY INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF) (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF ERISA), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A "PLAN" THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE, OR (C) AN ENTITY WHOSE ASSETS ARE TREATED AS "PLAN ASSETS" PURSUANT TO ERISA (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS") AND INCLUDING FOR THIS PURPOSE INSURANCE COMPANY GENERAL ACCOUNTS ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE "PLAN ASSETS" UNDER SECTION 401(c) OF ERISA (AND A WHOLLY OWNED SUBSIDIARY OF SUCH A GENERAL ACCOUNT).

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A REGULATION S GLOBAL CLASS C NOTE OR INTEREST THEREIN WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A RESTRICTED DEFINITIVE CLASS C NOTE OR AN INTEREST THEREIN WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON (EACH, AS DEFINED BELOW). NO PURCHASE OR TRANSFER OF A RESTRICTED DEFINITIVE CLASS C NOTE WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE JUNIOR NOTE REGISTRAR WILL RECOGNIZE ANY SUCH PURCHASE OR TRANSFER IF, AFTER GIVING EFFECT TO SUCH TRANSFER, 25% (OR SUCH GREATER PERCENTAGE AS MAY BE SPECIFIED IN REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR) OR MORE OF THE AGGREGATE OUTSTANDING AMOUNT OF THE CLASS C NOTES (DISREGARDING THE CLASS C NOTES HELD BY PERSONS OTHER THAN BENEFIT PLAN INVESTORS WHO HAVE DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER, OR WHO PROVIDE INVESTMENT ADVICE FOR A FEE, DIRECT OR INDIRECT, WITH RESPECT TO SUCH ASSETS, OR ANY AFFILIATES OF SUCH PERSONS (EACH, A "CONTROLLING PERSON")) WOULD BE HELD BY BENEFIT PLAN INVESTORS. NO REGULATION S GLOBAL CLASS C NOTES OR INTERESTS THEREIN MAY BE ACQUIRED BY OR TRANSFERRED TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND EACH SUCH ACQUIRER OR TRANSFEREE WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT AND THAT IT WILL NOT BECOME A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON.

AN ORIGINAL PURCHASER AND EACH TRANSFEREE OF A RESTRICTED DEFINITIVE CLASS C NOTE THAT IS A BENEFIT PLAN INVESTOR SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE OR ANY SIMILAR LAW WILL BE REQUIRED TO CERTIFY THAT ITS ACQUISITION AND HOLDING OF SUCH CLASS C NOTE WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY SUCH LAW OR SUCH SIMILAR LAW). A "BENEFIT PLAN INVESTOR" INCLUDES AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF ERISA), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, A "PLAN" (THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE), ANY ENTITY WHOSE ASSETS ARE TREATED AS PLAN ASSETS PURSUANT TO ERISA, AND AN INSURANCE COMPANY GENERAL ACCOUNT ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE "PLAN ASSETS" UNDER SECTION 401(c) OF ERISA (AND A WHOLLY OWNED SUBSIDIARY OF SUCH GENERAL ACCOUNT).

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 PURCHASE OR TRANSFER OF A REGULATION S GLOBAL CLASS C NOTE WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE FISCAL AGENT WILL RECOGNIZE ANY SUCH TRANSFER IF SUCH PURCHASE OR TRANSFER IS BY OR TO A BENEFIT PLAN INVESTOR.

It should be noted that an insurance company's general account (and a wholly owned subsidiary of such a general account) may be deemed to include assets of ERISA Plans under certain circumstances, e.g., where an ERISA Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of Offered Securities with assets of its general account (or the assets of a wholly owned subsidiary of such general account) should consider such purchase and the insurance company's ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and 29 C.F.R. §2550.40c-1.

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 Co-Issuers and the Placement Agent will enter into a placement agency agreement (the "Placement Agency Agreement") relating to the purchase and sale of the Offered Securities to be delivered on the Closing Date. The Offered Securities will be offered by the Placement Agent to prospective investors from time to time in individually negotiated transactions at varying prices to be determined at the time of sale. The Placement Agent reserves the right to withdraw, cancel, or modify such offer and to reject orders in whole or in part. The Placement Agent's responsibility is limited to a "reasonable efforts" basis in placing the Offered Securities, with no understanding, express or implied, on the part of the Placement Agent of a commitment by the Placement Agent, whether as principal or agent, to purchase or place the Offered Securities. The obligations of the Placement Agent under the Placement Agency Agreement are subject to the satisfaction of certain conditions set forth in the Placement Agency Agreement. Pursuant to the Placement Agency Agreement, each of the Co-Issuers will agree to indemnify the Placement Agent against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Placement Agent 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 or withdrawal, cancellation or modification of the offer without notice and subject to approval of certain legal matters by counsel and certain other conditions.

Each Original Purchaser of a Class C Note will be required to execute and deliver an Investor Application Form in form and substance satisfactory to the Placement Agent and the Issuer.

The Co-Issuers have been advised by the Placement Agent that it proposes to sell the Offered Securities (a) in the United States in reliance upon an exemption from the registration requirements of the Securities Act to Qualified Purchasers who are also Qualified Institutional Buyers or, in the case of the Class C Notes, Accredited Investors and (b) outside the United States to persons who are not U.S. persons (as defined in Regulation S) in offshore transactions in reliance on Regulation S ("Regulation S") under the Securities Act and, in each case, in accordance with applicable laws.

## CERTAIN SELLING RESTRICTIONS

### United States

The Offered 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 Placement Agency Agreement, the Placement Agent will represent and agree that it has not offered or sold Offered Securities and will not offer or sell Offered Securities except to persons who are not U.S. Persons in accordance with Rule 903 of Regulation S or as provided in paragraph (2) below. Accordingly, the Placement Agent 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 Placement Agency Agreement, the Placement Agent 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 Placement Agent reasonably believes is a Qualified Institutional Buyer or, in the case of the Class C Notes, an Accredited Investor that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the risks of investing in the Offered Securities or is represented by a fiduciary or agent with sole investment discretion having such knowledge and experience) that (in each of the foregoing cases) is also a Qualified Purchaser or (2) otherwise in accordance with the restrictions on transfer set forth in such Offered Securities, the Placement Agency Agreement and this Offering Circular; or

(b) by means of any form of general solicitation or general advertisement, including but not limited to (1) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio and (2) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

Prior to the sale of any Offered Securities in registered form bearing a restrictive legend thereon, the Placement Agent 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 Placement Agent shall have agreed most recently shall be used for offers and sales in the United States.

(3) In the Placement Agency Agreement, the Placement Agent will represent and agree that in connection with each sale of Class C Notes to an Accredited Investor it has taken or will take reasonable steps to ensure that the purchaser is aware that the Class C Notes have not been and will not be registered under the Securities Act and that transfers of Class C Notes are restricted as set forth herein.

**United Kingdom**

The Placement Agent will also represent and agree as follows:

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

(2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment

activity (within the meaning of Section 21 of 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 does not apply to the Co-Issuers.

**Cayman Islands**

The Placement Agent 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 Placement Agent 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 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.

## TRANSFER RESTRICTIONS

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

Investor Representations on Initial Purchase. Each Original Purchaser of Notes (or any beneficial interest therein) will be deemed to acknowledge, represent and warrant to and agree with the Co-Issuers, the Placement Agent and each Original Purchaser of Class C Notes (or any beneficial interest therein) will be required in an Investor Application Form to acknowledge, represent and warrant to and agree with the Issuer and the Placement Agent 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, nor has the SEC or any other governmental authority or agency 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*. Each purchaser of a Note (if required by the Indenture or the Fiscal Agency Agreement, as applicable) will, prior to any sale, pledge or other transfer by it of any such Offered Security (or any interest therein), obtain from the transferee and deliver to the Issuer and the Senior Note Registrar (in the case of a Senior Note) or the Junior Note Registrar (in the case of a Junior Note) a duly executed transferee certificate in the form of the relevant exhibit attached to the Indenture or the Fiscal Agency Agreement, as the case may be, and such other certificates and other information as the Issuer, the Trustee (in the case of the Senior Notes) or the Junior Note Registrar (in the case of the Junior Notes) may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular and the Indenture or the Fiscal Agency Agreement.

(3) *Minimum Denominations*. 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 in the Indenture (in the case of the Senior Notes) or the Fiscal Agency Agreement (in the case of the Junior Notes).

(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. Accordingly, the certificates representing the Offered Securities will bear a legend stating that the Offered Securities have not been registered under the Securities Act and setting forth certain of the restrictions on transfer of the Offered Securities described herein. The purchaser understands that neither the Issuer nor the Co-Issuer has any obligation to register any of the Offered Securities under the Securities Act or to comply with the requirements for any exemption from the registration requirements of the Securities Act (other than to supply information specified in Rule 144A(d)(4) of the Securities Act as required by the Indenture and the Fiscal Agency Agreement).

(5) *List of Participants Holding Positions in Offered Securities*. Each purchaser of an Offered Security understands that the Issuer may receive a list of participants holding positions in the Offered Securities from one or more book-entry depositaries, including DTC, Euroclear and Clearstream Banking.

(6) *Qualified Institutional Buyer, Accredited Investor or Non-U.S. Person Status; Investment Intent*. In the case of a purchaser who takes delivery of the Offered Securities in the form of a Restricted Global Note (or interest therein) or a Restricted Definitive Class C Note, it is (a) a Qualified Institutional Buyer or (b) in the case of a Restricted Definitive Class C Note, an Accredited Investor and is acquiring the Offered Securities for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). In the case of a purchaser who takes delivery of Regulation S Notes, (i) it is not a U.S. Person and is purchasing its interest in such Note for its own account (or as agent on behalf of a client account) and not for the account or benefit of a U.S. Person and (ii) it understands that (A) interests in a Regulation S Global Note may only be held through Euroclear or Clearstream, Luxembourg, and (B) if in the future it decides to transfer interests held in such Regulation S Global Note, it will transfer the interest in such Regulation S Global Note to a person that is not a U.S. Person only in an offshore transaction in accordance with Regulation S or to a Qualified Institutional Buyer that is a Qualified Purchaser who takes delivery in the form of a Restricted Note.

(7) *Purchaser Sophistication; Non-Reliance; Suitability; Access to Information*. The purchaser (a) has such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in Offered Securities, (b) is financially able to bear such risk, (c) in making such investment is not relying on the advice or recommendations of any of the Placement Agent, the Issuer, the Co-Issuer, the Collateral Manager or any of their respective affiliates (or any representative of any of the foregoing) and (d) has determined that an investment in Offered Securities is suitable and appropriate for it. The purchaser has received, and has had an adequate opportunity to review 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 and the terms and conditions of the offering of the Offered Securities. The purchaser acknowledges that it is aware that the Collateral Management Agreement and the Indenture authorize the Collateral Manager to cause the Issuer to purchase Collateral Debt Securities from, and sell Collateral Debt Securities to, the Collateral Manager, its affiliates and funds managed by the Collateral Manager or its affiliates and the purchaser consents to such purchases and sales; *provided* that they are carried out in compliance with the provisions of the Collateral Management Agreement and the Indenture.

(8) *Certain Resale Limitations*. The purchaser is aware that no Offered Securities (or any interest therein) may be offered, sold, pledged or otherwise transferred to (a) a transferee acquiring a Restricted Global Note (or interest therein) or Restricted Definitive Class C Note except (i)(A) to a transferee whom the seller reasonably believes is a Qualified Institutional Buyer purchasing for its own account, to whom notice is given that the resale,

pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and that is a Qualified Purchaser or (B) solely in the case of a Restricted Definitive Class C Note, in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act), (ii) to a transferee that is a Qualified Purchaser, (iii) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (iv) in compliance with the certification (if any) and other requirements set forth in the Indenture or the Fiscal Agency Agreement, as applicable, and (v) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction or (b) a transferee acquiring an interest in a Regulation S Note except (i) to a transferee that is acquiring such interest in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (ii) to a transferee that is not a U.S. Person, (iii) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (iv) in compliance with the certification (if any) and other requirements set forth in the Indenture or the Fiscal Agency Agreement and (v) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

(9) *Limited Liquidity*. The purchaser understands that there is no market for any Class of Offered Securities and that no assurance can be given as to the liquidity of any trading market for such Class of Offered Securities or that a trading market for such Class of Offered Securities will develop. It further understands that, although the Placement Agent may from time to time make a market in a Class of Offered Securities, the Placement Agent is not under any obligation to do so and, following the commencement of any market-making, may discontinue the same at any time. Accordingly, the purchaser must be prepared to hold such Offered Securities for an indefinite period of time or until their maturity.

(10) *Investment Company Act*. The purchaser either (a) is not a U.S. Person or (b) is a Qualified Purchaser. The purchaser agrees that no sale, pledge or other transfer of a Note (or any interest therein) may be made (a) to a transferee acquiring Restricted Notes (or any interest therein) except to a transferee that is a Qualified Purchaser, (b) to a transferee acquiring an interest in a Regulation S Note that is not a U.S. Person in an offshore transaction in accordance with Regulation S or (c) if such transfer would have the effect of requiring either of the Co-Issuers or the Collateral to register as an investment company under the Investment Company Act. If the purchaser is a U.S. Person that is an entity that would be an investment company but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (any such entity, an "excepted investment company"): (x) all of the beneficial owners of outstanding securities (other than short-term paper) of such entity (such beneficial owners determined in accordance with Section 3(c)(1)(A) of the Investment Company Act) that acquired such securities on or before April 30, 1996 ("pre-amendment beneficial owners"); and (y) all pre-amendment beneficial owners of the outstanding securities (other than short term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such entity, have consented to such entity's treatment as a Qualified Purchaser in accordance with the Investment Company Act.

(11) *ERISA.* In the case of a purchaser of a Class A-1 Note, a Class A-2 Note or a Restricted Definitive Class C Note, either (a) it is not (and for so long as it holds any such Note or any interest therein will not be) a Benefit Plan Investor, or (b) its purchase and ownership of such Note will not constitute a non-exempt prohibited transaction in violation of Section 406 of ERISA or Section 4975 of the Code or a non-exempt violation of a Similar Law.

In the case of a purchaser of an ERISA-Restricted Note, the purchaser is not, and is not acting on behalf of a Benefit Plan Investor. No interest in an ERISA-Restricted Note may be transferred to a Benefit Plan Investor, including for this purpose, an insurance company general account any of the underlying assets of which constitute "plan assets" under Section 401(c) of ERISA and a wholly-owned subsidiary of such a general account). In the case of a purchaser of ERISA-Restricted Notes that is an insurance company, if the source of funds used to purchase the ERISA-Restricted Notes is its general account (or a wholly owned subsidiary of such general account), the insurance company must represent that no portion of the underlying assets of the "general account" (as determined by the insurance company) constitute "plan assets" under Section 401(c) of ERISA.

In the case of an Original Purchaser of a Restricted Definitive Class C Note that purchases from the Issuer or the Placement Agent, except as otherwise disclosed in the applicable transferee certificate, either (a) the purchaser is not a Benefit Plan Investor or a Controlling Person or (b) its purchase and ownership of such Restricted Definitive Class C Note will not constitute a non-exempt prohibited transaction in violation of Section 406 of ERISA or Section 4975 of the Code or a non-exempt violation of Similar Law. In the case of a transferee of a Restricted Definitive Class C Note, except as otherwise disclosed in the applicable transferee certificate, either (a) the purchaser is not a Benefit Plan Investor or a Controlling Person or (b) its purchase and ownership of such Class C Note will not constitute a non-exempt prohibited transaction in violation of Section 406 of ERISA or Section 4975 of the Code or a non-exempt violation of Similar Law. Each purchaser and each transferee of a Restricted Definitive Class C Note understands and agrees that no sale, pledge or other transfer of a Restricted Definitive Class C Note (or any interest therein) may be made to a Benefit Plan Investor or a Controlling Person if, after giving effect to such purchase or transfer, 25% (or such greater percentage as may be specified, in regulations promulgated by the U.S. Department of Labor) or more of the Class C Notes would be held by Benefit Plan Investors (determined after disregarding the Class C Notes held by Controlling Persons).

Each Original Purchaser and each transferee acquiring an interest in a Regulation S Global Class C Note will be required to certify (or in certain circumstances deemed to represent and warrant) that it is not, and will not become during the period it holds such Regulation S Global Class C Note as an interest thereon a Benefit Plan Investor or a Controlling Person.

(12) *Limitations on Flow-Through Status.* In the case of a purchaser that is a U.S. Person, it is either (a) not a Flow-Through Investment Vehicle or (b) a Qualifying Investment Vehicle. A purchaser is a "Flow-Through Investment Vehicle" if (i) in the case of a purchaser that would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, the amount of the purchaser's investment in the Offered Securities (including its investment in all Classes of Notes) exceeds 40% of the total

assets (determined on a consolidated basis with its subsidiaries) of the purchaser; (ii) any Person owning any equity or similar interest in the purchaser has the ability to control any investment decision of the purchaser or to determine, on an investment-by-investment basis, the amount of such Person's contribution to any investment made by the purchaser; (iii) the purchaser was organized or reorganized for the specific purpose of acquiring any Offered Securities or (iv) additional capital or similar contributions were specifically solicited from any Person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase Offered Securities. A "Qualifying Investment Vehicle" is an entity as to which all of the beneficial owners of any securities issued by such entity have made, and as to which (in accordance with the document pursuant to which such entity was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make, to the Issuer or the Co-Issuers, as the case may be, and the Senior Note Registrar or the Junior Note Registrar, as the case may be, each of the representations set forth in this Offering Circular, the transfer certificates, the Indenture (in the case of Senior Notes) or the Fiscal Agency Agreement (in the case of Junior Notes) required to be made upon transfer of any Offered Securities (with modifications to such representations satisfactory to the Issuer to reflect the indirect nature of the interests of such beneficial owners in such Notes).

If the purchaser is a U.S. Person that is a Qualifying Investment Vehicle, (a) either (i) none of the beneficial owners of its securities is a U.S. Person or (ii) some or all of the beneficial owners of its securities are U.S. Persons and each such beneficial owner has certified to the purchaser that it is a Qualified Purchaser and (b) the purchaser has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Offered Securities).

(13) *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 in the Indenture or the Fiscal Agency Agreement, or made based upon any false or inaccurate representation made by the purchaser or a transferee to the Issuer, will be void and of no force or effect and (b) none of the Issuer, the Trustee and the Senior Note Registrar (in the case of the Senior Notes) and the Fiscal Agent and the Junior Note Registrar (in the case of the Junior Notes) has any obligation to recognize any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation.

The purchaser of a Note acknowledges that each of the Indenture (in the case of the Senior Notes) and the Fiscal Agency Agreement (in the case of the Junior Notes) provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers (or, in the case of a Junior Note, the Issuer) determines that any beneficial owner or holder of (A) a Regulation S Note (or any interest therein) is a U.S. Person or (B) a Restricted Note (or any interest therein) is not a Qualified Institutional Buyer and also a Qualified Purchaser, then either of the Co-Issuers (or, in the case of a Junior Note, the Issuer) shall require, by notice to such beneficial owner or holder, as the case may be, that such beneficial owner or holder sell all of its right, title and interest to such Restricted Note (or any interest therein) to a person that (1) in the case of a person holding its interest through a Regulation S Note, is not a U.S. Person or (2) in

the case of a person holding or holding its interest through a Restricted Note, is both (I) a Qualified Institutional Buyer or, in the case of a Class C Note, an Accredited Investor and (II) a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner or holder fails to effect the transfer required within such 30-day period, (i) upon written direction from the Collateral Manager or the Issuer, the Trustee (in the case of the Senior Notes) or the Fiscal Agent (in the case of the Junior Notes), on behalf of and at the expense of the Issuer, shall, and is hereby irrevocably authorized by such beneficial owner or holder to, cause such beneficial owner's or holder's interest in such Note to be transferred in a commercially reasonable sale (conducted by an investment bank selected by the Trustee or the Fiscal Agent (as applicable) and approved by the Issuer in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee (in the case of the Senior Notes) or the Fiscal Agent (in the case of the Junior Notes) and the Co-Issuers (or, in the case of a Junior Note, the Issuer), in connection with such transfer, that such person (x) is not a U.S. Person (in the case of a person holding its interest through a Regulation S Note) or (y) is both (1) a Qualified Institutional Buyer or, in the case of a Class C Note, an Accredited Investor and (2) a Qualified Purchaser (in the case of a person holding its interest through a Restricted Note) and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner or holder and such Note shall be deemed not to be outstanding for the purpose of any vote or consent of the Noteholders.

(14) *Reliance on Representations, etc.* The purchaser acknowledges that the Issuer, the Placement Agent, the Trustee, the Collateral Manager and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made by it in connection with its purchase of the Offered Securities are no longer accurate, the purchaser will promptly notify the Issuer and the Placement Agent.

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

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

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND BENEFICIAL INTERESTS HEREIN MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) (1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A OR (2) TO A PERSON THAT IS NOT A 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][1] [THE FISCAL AGENCY AGREEMENT][2] REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. NEITHER OF THE CO-ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT").

NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NEITHER [THE TRUSTEE NOR THE SENIOR NOTE REGISTRAR][3] [THE FISCAL AGENT NOR THE JUNIOR NOTE REGISTRAR][4] WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. PERSON THAT IS NOT BOTH (X) A QUALIFIED INSTITUTIONAL BUYER AND ALSO (Y) EITHER (I) A "QUALIFIED PURCHASER" AS DEFINED IN THE INVESTMENT COMPANY ACT, (II) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER WITHIN THE MEANING OF RULE 3c-5 OF THE INVESTMENT COMPANY ACT OR (III) A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE SUCH QUALIFIED PURCHASERS AND/OR KNOWLEDGEABLE EMPLOYEES (EACH OF (I), (II) AND (III), A "QUALIFIED PURCHASER"), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER WOULD BE MADE TO A U.S. PERSON THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE [(EACH AS DEFINED IN THE INDENTURE)][5] [(EACH AS DEFINED IN THE FISCAL AGENCY AGREEMENT)][6] OR (D) SUCH TRANSFER WOULD BE MADE TO A PERSON THAT IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF ANY) ATTACHED AS AN EXHIBIT [TO THE INDENTURE][7] [TO THE FISCAL AGENCY AGREEMENT][8] REFERRED TO HEREIN. EACH HOLDER OF THIS NOTE OR A BENEFICIAL INTEREST IN THIS NOTE IS REQUIRED TO CERTIFY (OR IN CERTAIN CIRCUMSTANCES IS DEEMED TO REPRESENT AND WARRANT) [EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN WILL NOT BE) ACTING ON BEHALF OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY WHOSE ASSETS ARE TREATED AS

---

1 Class A Notes and Class B Notes only.

2 Class X Notes only.

3 Class A Notes and Class B Notes only.

4 Class X Notes only.

5 Class A Notes and Class B Notes only.

6 Class X Notes only.

7 Class A Notes and Class B Notes only.

8 Class X Notes only.

"PLAN ASSETS" PURSUANT TO ERISA, 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) THE ACQUISITION AND HOLDING OF THIS NOTE WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY SUCH LAW OR SUCH SIMILAR LAW)][9] [THAT SUCH HOLDER IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF) (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF ERISA), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A "PLAN" THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE OR (C) AN ENTITY WHOSE ASSETS ARE TREATED AS "PLAN ASSETS" PURSUANT TO ERISA (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS") AND INCLUDING FOR THIS PURPOSE INSURANCE COMPANY GENERAL ACCOUNTS ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE "PLAN ASSETS" UNDER SECTION 401(c) OF ERISA AND A WHOLLY OWNED SUBSIDIARY OF SUCH A GENERAL ACCOUNT)].[10] THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN [THE INDENTURE][11] [THE FISCAL AGENCY AGREEMENT][12]. THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON WHO ACQUIRES A BENEFICIAL INTEREST IN A [REGULATION S NOTE][13] [RESTRICTED NOTE][14] UPON RECEIPT BY THE TRUSTEE OF A TRANSFER CERTIFICATE FROM THE TRANSFEROR SUBSTANTIALLY IN THE FORM SPECIFIED IN [THE INDENTURE][15] [THE FISCAL AGENCY AGREEMENT][16]. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN [THE INDENTURE, EITHER OF THE CO-ISSUERS][17] [THE FISCAL AGENCY AGREEMENT, THE ISSUER][18] DETERMINES THAT ANY BENEFICIAL OWNER OR HOLDER OF (A) A REGULATION S NOTE (OR ANY INTEREST THEREIN) IS A U.S. PERSON OR (B) A RESTRICTED NOTE (OR ANY INTEREST THEREIN) IS NOT A QUALIFIED

---

[9] Class A-1 Notes and Class A-2 Notes only.

[10] Class B Notes and Class X Notes only.

[11] Class A Notes and Class B Notes only.

[12] Class X Notes only.

[13] Restricted Notes only.

[14] Regulation S Notes only.

[15] Class A Notes and Class B Notes only.

[16] Class X Notes only.

[17] Class A Notes and Class B Notes only.

[18] Class X Notes only.

INSTITUTIONAL BUYER AND ALSO A QUALIFIED PURCHASER, THEN [EITHER OF THE CO-ISSUERS][19] [THE ISSUER][20] SHALL REQUIRE, BY NOTICE TO SUCH BENEFICIAL OWNER OR HOLDER, AS THE CASE MAY BE, THAT SUCH BENEFICIAL OWNER OR HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH RESTRICTED NOTE (OR ANY INTEREST THEREIN) TO A PERSON THAT (1) IS NOT A U.S. PERSON (IN THE CASE OF A PERSON HOLDING ITS INTEREST THROUGH A REGULATION S NOTE) OR (2) IN THE CASE OF A PERSON HOLDING ITS INTEREST THROUGH A RESTRICTED NOTE, IS BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN.

IN ADDITION, NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NEITHER [THE TRUSTEE NOR THE SENIOR NOTE REGISTRAR][21] [THE FISCAL AGENT NOR THE JUNIOR NOTE REGISTRAR][22] 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.

The following will be inserted in the case of the Class X Notes:

THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THIS NOTE MAY BE OBTAINED BY WRITING TO THE ISSUER AT TRIAXX PRIME 2006-2, LTD., ATTN: DIRECTORS, C/O WALKERS SPV LIMITED, WALKER HOUSE, 87 MARY STREET, GEORGE TOWN, GRAND CAYMAN KY1-9002, CAYMAN ISLANDS .

The following will be inserted in the case of Global Notes:

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE SENIOR NOTE REGISTRAR (IN THE CASE OF THE SENIOR NOTES) OR THE JUNIOR NOTE REGISTRAR (IN THE CASE OF THE JUNIOR NOTES) 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

---

[19] Class A Notes and Class B Notes only.

[20] Class X Notes only.

[21] Class A Notes and Class B Notes only.

[22] Class X Notes only.

REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

In addition, the legend set forth on any Regulation S Note will also have the following:

THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY NOT BE HELD BY A U.S. PERSON OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AT ANY TIME.

(17) *Legend for Class C Notes*. The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Class C Notes:

THE CLASS C NOTES 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" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE FISCAL AGENCY AGREEMENT REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT").

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A REGULATION S GLOBAL CLASS C NOTE OR INTEREST THEREIN WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A RESTRICTED DEFINITIVE CLASS C NOTE OR AN INTEREST THEREIN WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT

IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON (EACH, AS DEFINED BELOW). NO PURCHASE OR TRANSFER OF A RESTRICTED DEFINITIVE CLASS C NOTE WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE JUNIOR NOTE REGISTRAR WILL RECOGNIZE ANY SUCH PURCHASE OR TRANSFER IF, AFTER GIVING EFFECT TO SUCH TRANSFER, 25% (OR SUCH GREATER PERCENTAGE AS MAY BE SPECIFIED IN REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR) OR MORE OF THE AGGREGATE OUTSTANDING AMOUNT OF THE CLASS C NOTES (DISREGARDING THE CLASS C NOTES HELD BY PERSONS OTHER THAN BENEFIT PLAN INVESTORS WHO HAVE DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER, OR WHO PROVIDE INVESTMENT ADVICE FOR A FEE, DIRECT OR INDIRECT, WITH RESPECT TO SUCH ASSETS, OR ANY AFFILIATES OF SUCH PERSONS (EACH, A "CONTROLLING PERSON")) WOULD BE HELD BY BENEFIT PLAN INVESTORS. NO REGULATION S GLOBAL CLASS C NOTES OR INTERESTS THEREIN MAY BE ACQUIRED BY OR TRANSFERRED TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND EACH SUCH ACQUIRER OR TRANSFEREE WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT AND THAT IT WILL NOT BECOME A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON.

AN ORIGINAL PURCHASER AND EACH TRANSFEREE OF A RESTRICTED DEFINITIVE CLASS C NOTE THAT IS A BENEFIT PLAN INVESTOR SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE OR ANY SIMILAR LAW WILL BE REQUIRED TO CERTIFY THAT ITS ACQUISITION AND HOLDING OF SUCH CLASS C NOTES WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY SUCH LAW OR SIMILAR LAW). A "BENEFIT PLAN INVESTOR" INCLUDES AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF ERISA), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, A "PLAN" THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE, ANY ENTITY WHOSE ASSETS ARE TREATED AS "PLAN ASSETS" PURSUANT TO ERISA, AND AN INSURANCE COMPANY GENERAL ACCOUNT ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE "PLAN ASSETS" UNDER SECTION 401(c) OF ERISA (AND A WHOLLY OWNED SUBSIDIARY OF SUCH GENERAL ACCOUNT).

NO TRANSFER OF A CLASS C NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE JUNIOR 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 THE INVESTMENT COMPANY ACT, (II) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER WITHIN THE MEANING OF RULE 3c-5 OF THE INVESTMENT COMPANY ACT

OR (III) A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE SUCH QUALIFIED PURCHASERS AND/OR KNOWLEDGEABLE EMPLOYEES (EACH OF (I), (II) AND (III), A "QUALIFIED PURCHASER"), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER IS MADE TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON [EXCEPT TO A BENEFIT PLAN INVESTOR WHOSE INVESTMENT IN CLASS C NOTES WOULD NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SUCH LAW OR SUCH SIMILAR LAW) OR TO A CONTROLLING PERSON AND ONLY IF, AFTER GIVING EFFECT TO SUCH PURCHASE, THE 25% THRESHOLD WOULD NOT HAVE BEEN EXCEEDED],[23](D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON WHICH IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE TRANSFER CERTIFICATE ATTACHED TO THE FISCAL AGENCY AGREEMENT) OR (E) SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE ATTACHED AS AN EXHIBIT TO THE FISCAL AGENCY AGREEMENT REFERRED TO HEREIN. ACCORDINGLY, AN INVESTOR IN THE CLASS C NOTES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. EACH HOLDER HEREOF IS REQUIRED IN WRITING OR DEEMED TO REPRESENT AND WARRANT (1) IN THE CASE OF AN ORIGINAL PURCHASER, EITHER (X) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS CLASS C NOTE OR AN INTEREST HEREIN WILL NOT BE) A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON OR (Y) IN THE CASE OF A RESTRICTED DEFINITIVE CLASS C NOTE, ITS HOLDING OF THE CLASS C NOTES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SUCH LAW OR SUCH SIMILAR LAW) AND (2) IN THE CASE OF A TRANSFEREE OF A REGULATION S GLOBAL CLASS C NOTE, THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS CLASS C NOTE OR AN INTEREST THEREIN, WILL NOT BE) A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON OR (2) IN THE CASE OF A TRANSFEREE OF A RESTRICTED DEFINITIVE CLASS C NOTE THAT IS A BENEFIT PLAN INVESTOR, ITS HOLDING OF THE CLASS C NOTES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SUCH LAW).

[23] Restricted Definitive Class C Notes only.

THE CLASS C NOTES REPRESENTED HEREBY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED IN AN AMOUNT NOT LESS THAN THE MINIMUM DENOMINATION SPECIFIED IN THE FISCAL AGENCY AGREEMENT. IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE FISCAL AGENCY AGREEMENT, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS CLASS C NOTE OR AN INTEREST HEREIN (X) IS A U.S. PERSON (IN THE CASE OF A PERSON ACQUIRING (A) REGULATION S DEFINITIVE CLASS C NOTES OR (B) ITS INTEREST THROUGH A REGULATION S GLOBAL CLASS C NOTE) AND/OR (Y) IS NOT BOTH (I) (A) A QUALIFIED INSTITUTIONAL BUYER OR (B) ENTITLED TO TAKE DELIVERY OF SUCH RESTRICTED DEFINITIVE CLASS C NOTE PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (II) A QUALIFIED PURCHASER (IN THE CASE OF A PERSON ACQUIRING A RESTRICTED DEFINITIVE CLASS C NOTE) THE ISSUER SHALL REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS CLASS C NOTE (OR INTEREST HEREIN) TO A PERSON THAT (1) IS NOT A U.S. PERSON (IN THE CASE OF A PERSON HOLDING (A) REGULATION S DEFINITIVE CLASS C NOTES OR (B) ITS INTEREST THROUGH A REGULATION S GLOBAL CLASS C NOTE) OR (2) IS BOTH (A)(X) A QUALIFIED INSTITUTIONAL BUYER OR (Y) ENTITLED TO TAKE DELIVERY OF SUCH RESTRICTED DEFINITIVE CLASS C NOTE PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (B) A QUALIFIED PURCHASER (IN THE CASE OF A PERSON HOLDING RESTRICTED DEFINITIVE CLASS C NOTES) AND (3) IN ALL CASES, IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE FISCAL AGENT SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER'S INTEREST IN THIS CLASS C NOTE TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE ARRANGED BY THE ISSUER (CONDUCTED BY AN INVESTMENT BANK SELECTED BY THE FISCAL AGENT AND APPROVED BY THE ISSUER IN ACCORDANCE WITH SECTION 9-610(b) OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE FISCAL AGENT AND THE ISSUER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON (I) IS NOT A U.S. PERSON (IN THE CASE OF A PERSON HOLDING (A) REGULATION S DEFINITIVE CLASS C NOTES OR (B) ITS INTEREST THROUGH A REGULATION S GLOBAL CLASS C NOTE) OR (II) IS BOTH (1)(A) A QUALIFIED INSTITUTIONAL BUYER OR (B) ENTITLED TO TAKE DELIVERY OF SUCH RESTRICTED DEFINITIVE CLASS C NOTE PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (2) A QUALIFIED

PURCHASER (IN THE CASE OF A PERSON HOLDING RESTRICTED DEFINITIVE CLASS C NOTES) AND (III) IN ALL CASES, IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THE CLASS C NOTE HELD BY SUCH HOLDER, AND THE INTEREST IN THIS CLASS C NOTE SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE CLASS C NOTES.

The following shall be inserted in the case of Regulation S Global Class C Notes:

UNLESS THIS REGULATION S GLOBAL CLASS C NOTE CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE JUNIOR NOTE REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS REGULATION S GLOBAL CLASS C NOTE CERTIFICATE REPRESENTS REGULATION S GLOBAL CLASS C NOTES DEPOSITED WITH DTC ACTING AS DEPOSITARY, AND REGISTERED IN THE NAME OF CEDE & CO., A NOMINEE OF DTC, AND CEDE & CO., AS HOLDER OF RECORD, SHALL BE ENTITLED TO RECEIVE ALL DISTRIBUTIONS, OTHER THAN THE FINAL REDEMPTION AMOUNTS, BY WIRE TRANSFER OF IMMEDIATELY AVAILABLE FUNDS. THE STATEMENTS IN THE LEGEND RELATING TO DTC SET FORTH ABOVE ARE AN INTEGRAL PART OF THE TERMS OF THESE CLASS C NOTES AND BY ACCEPTANCE THEREOF EACH HOLDER AGREES TO BE SUBJECT TO AND BOUND BY THE TERMS AND PROVISIONS SET FORTH IN SUCH LEGEND. UPON ANY SUCH EXCHANGE OR TRANSFER OF A BENEFICIAL INTEREST IN THIS REGULATION S GLOBAL CLASS C NOTE CERTIFICATE FOR A DEFINITIVE CLASS C NOTE CERTIFICATE OR UPON ANY EXCHANGE OR TRANSFER OF A DEFINITIVE CLASS C NOTE CERTIFICATE FOR AN INTEREST IN THIS REGULATION S GLOBAL CLASS C NOTE CERTIFICATE IN ACCORDANCE WITH THE FISCAL AGENCY AGREEMENT, THIS REGULATION S GLOBAL CLASS C NOTE CERTIFICATE SHALL BE CANCELLED AND A NEW REGULATION S GLOBAL CLASS C NOTE CERTIFICATE WILL BE ISSUED AND REGISTERED IN THE NAME OF CEDE & CO., AS NOMINEE OF DTC, REFLECTING THE PRINCIPAL AMOUNT OF CLASS C NOTES HELD IN REGULATION S GLOBAL FORM.

THIS CLASS C NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON THAT ACQUIRES A BENEFICIAL INTEREST IN A RESTRICTED DEFINITIVE CLASS C NOTE ONLY UPON RECEIPT BY THE ISSUER AND THE FISCAL AGENT OF A LETTER SUBSTANTIALLY IN THE FORM SPECIFIED IN THE FISCAL AGENCY AGREEMENT.

The following shall be inserted in the case of Regulation S Class C Notes:

THIS CLASS C NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY NOT BE HELD BY A U.S. PERSON OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AT ANY TIME.

The following shall be inserted in the case of Restricted Definitive Class C Notes:

THIS CLASS C NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON THAT ACQUIRES A BENEFICIAL INTEREST IN A REGULATION S GLOBAL CLASS C NOTE CERTIFICATE ONLY UPON RECEIPT BY THE ISSUER AND THE FISCAL AGENT OF A LETTER SUBSTANTIALLY IN THE FORM SPECIFIED IN THE FISCAL AGENCY AGREEMENT.

Investor Representations on Resale. Except as provided below, each transferee of an Offered Security will be required to deliver to the Co-Issuers and the Senior Note Registrar (in the case of the Senior Notes) or the Fiscal Agent and the Junior Note Registrar (in the case of the Junior Notes), as the case may be, a duly executed transferee certificate in the form of the relevant exhibit attached to the Indenture or the Fiscal Agency Agreement, as the case may be, and such other certificates and other information as the Issuer, the Co-Issuer, the Trustee or the Fiscal Agent may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular. An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification; *provided* that (1) such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and such transfer is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures and (2) any transfer not effected in an offshore transaction in accordance with Rule 904 of Regulation S may be made only upon provision to the Senior Note Registrar or Junior Note Registrar, as applicable, of written certification from the transferee and transferor in the form provided for in the Indenture or the Fiscal Agency Agreement, 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 if the transferee is both a Qualified Institutional Buyer and a Qualified Purchaser.

Each transferee of a beneficial interest in a Regulation S Global Note or Restricted Global Note will be deemed to make the same representations and warranties at the time of purchase that a transferee of a Note subject to equivalent transfer restrictions that is required to deliver a transfer certificate would be required to make pursuant to such transferee certificate.

No ERISA-Restricted Note or interest therein may be transferred to a transferee that is a Benefit Plan Investor, including for this purpose, an insurance company general account any of the underlying assets of which constitute "plan assets" under Section 401(c) of ERISA (and a wholly owned subsidiary of such a general account).

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 who is not required to deliver a certificate will be deemed (a) to acknowledge, represent and warrant to and agree with the Issuer and the Trustee as to the matters set forth in each of paragraphs (1) through (17) above, as applicable to the Notes, 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 Senior Note) or the Fiscal Agent (in the case of a Junior Note) as follows:

(1) In the case of a transferee who takes delivery of a beneficial interest in a Restricted Global Note, it (i) is a Qualified Institutional Buyer and also a Qualified Purchaser; (ii) is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.$25,000,000 in securities of issuers that are not affiliated persons of the dealer; (iii) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; (iv) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee; and (v) is acquiring such Offered Securities for its own account. In the case of a transferee who takes delivery of a Restricted Definitive Class C Note, unless such transfer is effected in accordance with another exemption from the registration requirements of the Securities Act (and such certifications, legal opinions or other information as the Issuer has reasonably required to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act have been delivered), it is a Qualified Institutional Buyer purchasing for its own account. In the case of a transferee who takes delivery of Regulation S Notes or Regulation S Class C Notes, it (i) is acquiring such Notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; (ii) is acquiring such Notes for its own account (or as agent on behalf of a client account); (iii) is not acquiring, and has not entered into any discussions regarding its acquisition of, such Notes while it is in the United States or any of its territories or possessions; (iv) understands that such Notes are being sold without registration under the Securities Act by reason of an exemption that depends, in part, on the accuracy of these representations; (v) understands that such Notes may not, absent an applicable exemption, be transferred without registration and/or qualification under the Securities Act and applicable state securities laws and the laws of any other applicable jurisdiction; and (vi) in the case of a transferee of a Regulation S Note, understands that interests in a Regulation S Global Note may only be held through Euroclear or Clearstream, Luxembourg.

(2) It acknowledges that the foregoing acknowledgements, representations, warranties and agreements will be relied upon by the Issuer and the Trustee (in the case

of a Senior Note) or the Fiscal Agent (in the case of a Junior Note) 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 its status as a Qualified Institutional Buyer or under the exception provided pursuant to Section 3(c)(7) of the Investment Company Act and Rule 3c-5 promulgated under the Investment Company Act, to determine compliance with ERISA and/or Section 4975 of the Code or to otherwise determine its eligibility to purchase Offered Securities.

## LISTING AND GENERAL INFORMATION

1. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. No assurances can be given that any such listing will be obtained with respect to the Notes. No application has been or will be made to list the Notes on any other stock exchange. The estimated cost of the application for admission to the Official List and admission to trading on the Irish Stock Exchange's market for listed securities is €20,000.

2. For as long as the Notes are listed on the Irish Stock Exchange, following the date of this Offering Circular, copies of the Issuer Charter and the Limited Liability Company Agreement of the Co-Issuer, this Offering Circular, the Indenture, the Fiscal Agency Agreement, the Collateral Management Agreement, the Administration Agreement, the Paying Agency Agreement for Ireland (such agreements, collectively, the "Material Contracts") and a description of the Collateral will be available for inspection, in electronic or physical form, and will be obtainable at the registered office of the Issuer, where copies thereof may be obtained upon request.

3. If and for so long as any Class of Notes is listed on the Irish Stock Exchange, copies of the Material Contracts, the Issuer Charter, the Certificate of Incorporation of the Issuer, the Limited Liability Company Agreement of the Co-Issuer, the resolutions of the board of directors of the Issuer authorizing the issuance of the Notes and the resolutions of the sole member of the Co-Issuer authorizing the issuance of the Notes will be available for inspection during the terms of the Notes at the office of the Trustee. The Issuer is not required by the laws of Cayman Islands, and the Issuer does not intend, to publish annual reports and accounts. The Co-Issuer is not required by the laws of the State of Delaware, and the Co-Issuer does not intend, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide the Trustee with written notice, on an annual basis, that to the best of its knowledge, following review of the activities in the prior year, no Indenture Event of Default or other matter required to be brought to the Trustee's attention has occurred or, if one has, specifying the same.

4. Each of the Co-Issuers will represent that, as of the date of this Offering Circular, there has been no material adverse change in its financial position since the date of its creation. Neither of the Co-Issuers is involved, or has been involved since its organization, in any governmental, legal or arbitration proceedings relating to claims on amounts which may have or have had a significant effect on the Co-Issuers' financial position or profitability in the context of the issuance of the Offered Securities, nor, so far as such Co-Issuer is aware, is any such governmental, legal or arbitration involving it pending or threatened.

5. The issuance of the Notes will be authorized by the board of directors of the Issuer by resolutions passed on or prior to the Closing Date. The issuance of the Class A-1 Notes, the Class A-2 Notes and the Class B Notes will be authorized by the sole member of the Co-Issuer by resolutions passed on or prior to the Closing Date. Since its organization, neither the Issuer nor the Co-Issuer has commenced trading, established any accounts or declared any

dividends, except for the transactions described herein relating to the issuance of the Offered Securities.

6. The Offered Securities sold in offshore transactions in reliance on Regulation S under the Securities Act and represented by Global Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear under the Common Codes set forth below. The CUSIP (CINS) Numbers and International Securities Identification Numbers (ISIN) for each Class of Securities are as set forth in the table below:

| | Regulation S Global Note CUSIP Numbers | Restricted Global Note CUSIP Numbers | Regulation S International Securities Identification Numbers |
|---|---|---|---|
| Class A-1A Notes | G9064WAA4 | 896008AA7 | USG9064WAA48 |
| Class A-1B1 Notes | G9064WAB2 | 896008AB5 | USG9064WAB21 |
| Class A-1B2 Notes | G9064WAC0 | 896008AC3 | USG9064WAC04 |
| Class A-1BV Notes | G9064WAD8 | 896008AD1 | USG9064WAD86 |
| Class A-2 Notes | G9064WAE6 | 896008AE9 | USG9064WAE69 |
| Class B Notes | G9064WAF3 | 896008AF6 | USG9064WAF35 |
| Class X Notes | G9065PAA8 | 896007AA9 | USG9065PAA87 |
| Class C Notes | G9065PAB6 | 896007AB7 | USG9065PAB60 |

## LEGAL MATTERS

Certain legal matters with respect to New York law will be passed upon for the Issuer and the Collateral Manager by Schulte Roth & Zabel LLP, New York, New York. Schulte Roth & Zabel LLP also acts as counsel to the Placement Agent. Certain matters with respect to Cayman Islands corporate law and tax law will be passed upon for the Issuer by Walkers.

## SCHEDULE A

### Part I
### Moody's Recovery Rate Matrix

(see definition of "Applicable Recovery Rate")

**A. ABS Type Diversified Securities**

| Percentage of Total Capitalization | Moody's Rating* | | | | | |
|---|---|---|---|---|---|---|
| | Aaa | Aa | A | Baa | Ba | B |
| Greater than 70% | 85% | 80% | 70% | 60% | 50% | 40% |
| Less than or equal to 70%, but greater than 10% | 75% | 70% | 60% | 50% | 40% | 30% |
| Less than or equal to 10% | 70% | 65% | 55% | 45% | 35% | 25% |

**B. ABS Type Residential Securities**

| Percentage of Total Capitalization | Moody's Rating* | | | | | |
|---|---|---|---|---|---|---|
| | Aaa | Aa | A | Baa | Ba | B |
| Greater than 70% | 85% | 80% | 65% | 55% | 45% | 30% |
| Less than or equal to 70%, but greater than 10% | 75% | 70% | 55% | 45% | 35% | 25% |
| Less than or equal to 10%, but greater than 5% | 65% | 55% | 45% | 40% | 30% | 20% |
| Less than or equal to 5%, but greater than 2% | 55% | 45% | 40% | 35% | 25% | 15% |
| Less than or equal to 2% | 45% | 35% | 30% | 25% | 15% | 10% |

**C. ABS Type Undiversified Securities**

| Percentage of Total Capitalization | Moody's Rating* | | | | | |
|---|---|---|---|---|---|---|
| | Aaa | Aa | A | Baa | Ba | B |
| Greater than 70% | 85% | 80% | 65% | 55% | 45% | 30% |
| Less than or equal to 70%, but greater than 10% | 75% | 70% | 55% | 45%* | 35% | 25% |
| Less than or equal to 10%, but greater than 5% | 65% | 55% | 45% | 35% | 25% | 15% |
| Less than or equal to 5%, but greater than 2% | 55% | 45% | 35% | 30% | 20% | 10% |
| Less than or equal to 2% | 45% | 35% | 25% | 20% | 10% | 5% |

**D. Low-Diversity CDO Securities and CDO Obligations with a Moody's Asset Correlation of 15% or more**

| Percentage of Total Capitalization | Moody's Rating* | | | | | |
|---|---|---|---|---|---|---|
| | Aaa | Aa | A | Baa | Ba | B |
| Greater than 70% | 80% | 75% | 60% | 50% | 45% | 30% |
| Less than or equal to 70%, but greater than 10% | 70% | 60% | 55% | 45% | 35% | 25% |
| Less than or equal to 10%, but greater than 5% | 60% | 50% | 45% | 35% | 25% | 15% |
| Less than or equal to 5%, but greater than 2% | 50% | 40% | 35% | 30% | 20% | 10% |
| Less than or equal to 2% | 30% | 25% | 20% | 15% | 7% | 4% |

**E. High-Diversity CDO Securities and CDO Obligations with a Moody's Asset Correlation less than 15%**

| Percentage of Total Capitalization | Moody's Rating* | | | | | |
|---|---|---|---|---|---|---|
| | Aaa | Aa | A | Baa | Ba | B |
| Greater than 70% | 85% | 80% | 65% | 55% | 45% | 30% |
| Less than or equal to 70%, but greater than 10% | 75% | 70% | 60% | 50% | 40% | 25% |
| Less than or equal to 10%, but greater than 5% | 65% | 55% | 50% | 40% | 30% | 20% |
| Less than or equal to 5%, but greater than 2% | 55% | 45% | 40% | 35% | 25% | 10% |
| Less than or equal to 2% | 45% | 35% | 30% | 25% | 10% | 5% |

_____

* The rating assigned by Moody's on the closing date for such Collateral Debt Security.

## Part II

## Standard & Poor's Recovery Rate Matrix

**A. If the Collateral Debt Security (other than a Synthetic Security, an ABS REIT Debt Security, a Project Finance Security, a future flow security, a market value CDO Obligation, a Form Approved Synthetic Security or a Corporate Guaranteed Security) is the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows:***

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

**B. If the Collateral Debt Security (other than a Synthetic Security, an ABS REIT Debt Security, a Project Finance Security, a future flow security, a market value CDO Obligation, a Form Approved Synthetic Security or a Corporate Guaranteed Security) is not the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows:***

| Standard & Poor's Rating of Collateral Debt Security at Issuance | Recovery Rate by Rating of Notes | | | | | | |
|---|---|---|---|---|---|---|---|
| | AAA | AA | A | BBB | BB | B | CCC |
| "AAA" | 65.0% | 70.0% | 80.0% | 85.0% | 85.0% | 85.0% | 85.0% |
| "AA-," "AA" or "AA+" | 55.0% | 65.0% | 75.0% | 80.0% | 80.0% | 80.0% | 80.0% |
| "A-," "A" or "A+" | 40.0% | 45.0% | 55.0% | 65.0% | 80.0% | 80.0% | 80.0% |
| "BBB-," "BBB" or "BBB+" | 30.0% | 35.0% | 40.0% | 45.0% | 50.0% | 60.0% | 70.0% |
| "BB-," "BB" or "BB+" | 10.0% | 10.0% | 10.0% | 25.0% | 35.0% | 40.0% | 50.0% |
| "B-," "B" or "B+" | 2.5% | 5.0% | 5.0% | 10.0% | 10.0% | 20.0% | 25.0% |
| "CCC+" and below | 0.0% | 0.0% | 0.0% | 0.0% | 2.5% | 5.0% | 5.0% |

**C.** **If the Collateral Debt Security is a Project Finance Security, a future flow security, a market value CDO Obligation or a Synthetic Security (other than a Form Approved Synthetic Security), the recovery rate will be assigned by Standard & Poor's upon the acquisition of such Security by the Issuer. A Form Approved Synthetic Security that is a Single Obligation Synthetic Security will have the recovery rate applicable to the related Reference Obligation.**

**D.** **If the Collateral Debt Security (other than a Corporate Guaranteed Security) is an ABS REIT Debt Security, the recovery rate for senior debt will be 40% and, for subordinated debt, assigned by Standard & Poor's upon the acquisition of such security by the Issuer.**

***If the Collateral Debt Security is a Corporate Guaranteed Security, the recovery rate will be (a) if such Corporate Guaranteed Security is secured and not by its terms subordinate in right of payment, 47.5%, (b) if such Corporate Guaranteed Security is not secured and is not by its terms subordinate in right of payment, 37% and (c) otherwise, 21.5%.**

## INDEX OF DEFINED TERMS

## PRINCIPAL OFFICES OF THE CO-ISSUERS

**Triaxx Prime CDO 2006-2, Ltd.**
c/o Walkers SPV Limited
Walker House, 87 Mary Street
George Town
Grand Cayman KY1-9002, Cayman Islands

**Triaxx Prime CDO 2006-2, LLC**
c/o Puglisi & Associates
850 Library Avenue
Suite 204
Newark, Delaware 19711

## COLLATERAL MANAGER

**ICP Asset Management, LLC**
445 Park Avenue
12th Floor
New York, New York 10022

## TRUSTEE, COLLATERAL ADMINISTRATOR, PAYING AGENT, SENIOR NOTE REGISTRAR AND FISCAL AGENT

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

## LISTING AGENT AND PAYING AGENT

**LISTING AGENT IN IRELAND**
**McCann FitzGerald Listing Services Limited**
Riverside One, Sir John Rogerson's Quay
Dublin 2
Ireland

**PAYING AGENT IN IRELAND**
**Custom House Administration and Corporate Services Limited**
25 Eden Quay
Dublin 1
Ireland

## LEGAL ADVISORS

*As to New York Law*
**Schulte Roth & Zabel LLP**
919 Third Avenue
New York, New York 10022

*As to Cayman Islands Law*
**Walkers**
Walker House, 87 Mary Street,
George Town, Grand Cayman KY1-9001
Cayman Islands, British West Indies

**Triaxx Prime CDO 2006-2, Ltd.**
**Triaxx Prime CDO 2006-2, LLC**

**U.S.$1,500,000,000 Class A-1A First Priority Senior Secured Floating Rate Notes Due October 2039**
**U.S.$1,499,950,000 Class A-1B1 First Priority Senior Secured Floating Rate Notes Due October 2039**
**U.S.$1,499,950,000 Class A-1B2 First Priority Senior Secured Floating Rate Notes Due October 2039**
**U.S.$100,000 Class A-1BV First Priority Senior Secured Floating Rate Notes Due October 2039**
**U.S.$400,000,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due October 2039**
**U.S.$60,000,000 Class B Third Priority Senior Secured Floating Rate Notes Due October 2039**
**U.S.$20,000,000 Class X Fourth Priority Junior Secured Amortizing Deferrable Floating Rate Notes Due October 2039**
**U.S.$20,000,000 Class C Fifth Priority Junior Secured Deferrable Floating Rate Notes Due October 2039**

***Backed by a Portfolio of Residential Mortgaged-Backed Securities and Related Synthetic Securities***

_____

**OFFERING CIRCULAR**

**Dated March 9, 2007**

_____

**ICP SECURITIES, LLC**