

PROSPECTUS

XELO II PUBLIC LIMITED COMPANY *(Incorporated with limited liability in Ireland)*

Series 2006 (Spinnaker III Europe TRED 2 Series 1)
EUR 3,000,000 Secured Limited Recourse Credit-Linked Notes due 2016

This document (the “**Prospectus**”) has been prepared for the purpose of giving information about the issue of the Series 2006 (Spinnaker III Europe TRED 2 Series 1) EUR 3,000,000 Secured Limited Recourse Credit-Linked Notes due 2016 of XELO II Public Limited Company (the “**Notes**”).

This document is issued in conjunction with, and incorporates by reference the contents of, the base prospectus dated 1 August 2006 (the “**Base Prospectus**”) in relation to the U.S.\$ 5,000,000,000 Programme for the issue of Notes and the making of Alternative Investments (the “**Programme**”) of XELO II Public Limited Company (the “**Issuer**”) and will, subject to its being approved by the Irish Financial Services Regulatory Authority (“**IFSRA**”) in its capacity as the competent authority in Ireland (the “**Competent Authority**”) in accordance with the requirements of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland (the “**Irish Prospectus Regulations**”) and Directive 2003/71/EC (the “**Prospectus Directive**”), constitute a Prospectus issued in compliance with the Prospectus Directive and relevant laws in Ireland. Unless the context otherwise requires, terms defined in the Base Prospectus or for the purposes of the Terms and Conditions of the Notes have the same meanings when used in this Prospectus.

The date of this Prospectus is 18 December 2006

Arranger

BARCLAYS BANK PLC

The Issuer accepts responsibility for the information contained in this Prospectus (except (i) in relation to the information under the heading “Information concerning the Swap Counterparty” (the “**Barclays Information**”), for which Barclays Bank PLC takes sole responsibility, (ii) in relation to the information relating to the Portfolio Manager under the heading “Information concerning the Portfolio Manager and the Portfolio Adviser” (the “**Portfolio Manager Information**”), for which the Portfolio Manager takes sole responsibility, (iii) in relation to the information relating to the Portfolio Adviser under the heading “Information concerning the Portfolio Manager and the Portfolio Adviser” (the “**Portfolio Adviser Information**”), for which the Portfolio Adviser takes sole responsibility, (iv) in relation to the information under the heading “Information relating to JPMorgan Chase Bank, N.A.” (the “**JPMorgan Information**”), for which JPMorgan Chase Bank, N.A. takes sole responsibility, (v) in relation to the information under the heading “Information relating to BNY Corporate Trustee Services Limited” (the “**BNY Information**”), for which BNY Corporate Trustee Services Limited takes sole responsibility, and (vi) as otherwise provided herein). To the best of the knowledge and belief of the Issuer (and in the case of (i) the Barclays Information, Barclays Bank PLC, (ii) the Portfolio Manager Information, the Portfolio Manager, (iii) the Portfolio Adviser Information, the Portfolio Adviser, (iv) the JPMorgan Information, JPMorgan Chase Bank, N.A., and (v) the BNY Information, BNY Corporate Trustee Services Limited) (each of which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus for which it takes responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information. The delivery of this Prospectus at any time does not imply any information contained herein is correct at any time subsequent to the date hereof.

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or the Trustee. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Arranger to subscribe for, or purchase, any Notes.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Trustee and the Arranger to inform themselves about and to observe any such restriction.

This Prospectus contains summaries of certain provisions of, or extracts from, the Constituting Instrument executed in relation to the Notes and the documents and agreements referred therein. Such summaries and extracts are subject to, and are qualified in their entirety by, the actual provisions of such documents and agreements, copies of which are annexed hereto or available in electronic form for inspection at the registered office of the Issuer, the principal office of the Trustee, the specified office of the Principal Paying Agent and the specified office of the Irish Paying Agent. Holders of the Notes to which this Prospectus relates, and any other person into whose possession this Prospectus comes, will be deemed to have notice of all provisions of the documents executed in relation to the Notes which may be relevant to a decision to acquire, hold or dispose of such Notes.

Application will be made to the IFSRA as competent authority under Directive 2003/71/EC, for the Prospectus to be approved. Application will be made to the Irish Stock Exchange Limited (the “**Irish Stock Exchange**”) for the Notes to be admitted to the Official List and trading on its regulated market. However, the Notes will not be listed or admitted to trading on the Issue Date and no assurance is given that such listing or admission to trading will be obtained thereafter.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY STATE SECURITIES LAWS, AND THE ISSUER IS NOT AND WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “**1940 ACT**”). THE NOTES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT).

Each purchaser or holder of Notes will be deemed to represent that it is not, and for so long as it holds any Notes will not be, an employee benefit plan subject to the fiduciary responsibility provisions of ERISA, a plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended, a person or entity whose assets include the assets of any such employee benefit plan or plan by reason of 29 C.F.R. Section 2510.3-101 or otherwise, or any other employee benefit plan without regard to the federal, state, local or foreign law pursuant to which the plan is organized or administered, and such purchaser or holder is not using the assets of any such plan to acquire the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

The Base Prospectus is incorporated in, and shall be taken to form part of, this Prospectus.

This document must be read and construed in conjunction with the Base Prospectus and shall be deemed to modify and supersede the contents of the Base Prospectus to the extent that a statement contained herein is inconsistent with such contents.

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RISK FACTORS

The following is a description of certain aspects of the issue of the Notes of which any prospective purchaser of Notes should be aware, but it is not intended to be exhaustive and any prospective purchaser of Notes should also read the detailed information set out elsewhere in this document and the other documents relating to the Notes and take their own tax, legal and other relevant advice as to the advisability, structure and viability of their investment. In particular, the attention of prospective purchasers of Notes is drawn to “Investor Suitability” and “Risk Factors” in the Base Prospectus.

General

Credit Considerations

Prospective purchasers of Notes should take into account, when making a decision as to whether or not to invest in the Notes, that the timing of redemption of the Notes and the timing and the amount of any interest and principal due on the Notes is dependent on the performance of the Charged Agreement.

Security

There can be no assurance that the amount payable on any early redemption or enforcement of the security for the Notes will be equal to the Issue Price or the outstanding Principal Amount of the Notes. Any shortfall in payments due to the Noteholders will be borne in accordance with the Priority of Payments specified in Paragraph 4 of “Conditions of the Notes”, and any claims of the Noteholders remaining after a mandatory redemption of the Notes or a realisation of the security and application of the proceeds as aforesaid shall be extinguished. None of the Programme Parties or the obligors under the Collateral (other than the Issuer) has any obligation to any Noteholder for payment of any amount owing by the Issuer in respect of the Notes.

Expenses

All payments of anticipated costs and expenses of the Issuer in connection with the issue of Notes have been, or will be, met by payments made to the Issuer under the Charged Agreement and pending disbursement such payments received by the Issuer under the Charged Agreement will be held in one or more of the Issuer Expense Accounts. Noteholders will have no entitlement or recourse to any amounts standing to the credit of the Issuer Expense Accounts and any claims of the Noteholders remaining after the application of the proceeds of the security for the Notes will not be met out of amounts standing to the credit of the Issuer Expense Accounts. To the extent that any unanticipated or extraordinary costs and expenses of the Issuer which are payable by the Issuer arise in connection with the Notes or otherwise, the Issuer may have no available funds to pay such costs and expenses and there is a risk that it might become insolvent as a result thereof.

Migration

In respect of any rating assigned to a Reference Entity or Reference Obligation (each as defined in relation to Reference Portfolio (as defined in the Charged Agreement), rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that the financial condition of any Reference Entity or other obligor in respect of a Reference Entity or other obligor in respect of a Reference Obligation may be better or worse than its rating indicates.

Exposure to Barclays

Upon the occurrence of a Downgrade Event (as defined in the Charged Agreement), Barclays Bank PLC as Swap Counterparty may elect to continue in its capacity as Swap Counterparty in connection with the Notes and, in such circumstances is required to post (and thereafter maintain for so long as such Downgrade Event is continuing) with the Issuer eligible credit support under the Charged Agreement. If the Swap Counterparty is a defaulting party under the Charged Agreement, however, and has not posted additional eligible credit support or the posted credit support has diminished in value due to market volatility, the proceeds thereof may be insufficient to repay the outstanding principal amount of the Notes.

The Notes as Credit-Linked Notes

Exposure to Reference Entities

The Notes do not represent a claim against any Reference Entity (as defined in the Charged Agreement) and, in the event of any loss, Noteholders will not have recourse under the Notes to any Reference Entity. However, Noteholders will be exposed to the credit risk of any Reference Entity and any Reference Obligation. The likelihood of a Credit Event (as defined in the Charged Agreement) occurring in respect of a Reference Entity will generally fluctuate with, among other things, the financial condition of the Reference Entities, together with general economic conditions, the conditions of certain financial markets, political events, developments or trends in particular industries and changes in prevailing market rates.

The Charged Agreement is a portfolio credit default swap transaction.

Although the Notes will bear interest at a fixed rate, an Extraordinary Interest Amount linked to the performance of the Notional Swap Transaction (as defined in the Charged Agreement) will be payable on the maturity of the Notes. Furthermore, in respect of the Reference Portfolio, a notional Trading Account will be maintained by the Swap Counterparty to which and from which Trading Gains and/or Trading Losses will be credited and/or debited, and in respect of which Trading Account Interest will accrue, all as set out in the Charged Agreement. The Scheduled Redemption Amount of the Notes, in addition to an amount equal to the Principal Amount, will include an amount equal to either (i) 50 per cent. of the Trading Account Balance as of the Scheduled Termination Date of the Charged Agreement or (ii) if the aggregate Cash Settlement Amounts determined in respect of the Notional Swap Confirmation as of or prior to the Scheduled Termination Date of the Notional Swap Confirmation exceed the Adjusted Subordination Amount as of such date, 100 per cent. of the Trading Account Balance as of the Scheduled Termination Date of the Charged Agreement.

The Notes are subject to automatic early redemption following the occurrence of a Target Redemption Trigger Event on or after the Observation Date falling in December 2010. Determination as to whether a Target Redemption Trigger Event has occurred will be linked, amongst other things, to the determination of the value of the Notional Swap Transaction, as at the relevant Observation Date. The amount payable to Noteholders on the Target Redemption Date will be the Realised Redemption Amount as defined in paragraph 28(iv) of the Terms of the Notes.

Pursuant to the terms of the Portfolio Management Agreement, the Portfolio Manager may recommend Replacements of any of the Reference Entities in the Reference Portfolio. The replacement procedures and guidelines in respect of the Reference Portfolio are set out in the Portfolio Management Confirmation, the form of which is set out in Annex 5 to this Prospectus. The Portfolio Management Confirmation also sets out the fees payable to the Portfolio Manager from time to time by the Issuer. The Issuer will fund the payment of such fees from amounts

payable to it by the Swap Counterparty under the Charged Agreement. See “Portfolio Management” below.

Volatility

Even without any actual loss of principal, the market value of the Notes (whether indicative or firm) will vary over time, and will be less than the Issue Price on the Issue Date and thereafter may be significantly less than par (or even zero) in certain circumstances. Generally, the market value is inversely related to the credit spreads of the Reference Entities comprising the Reference Portfolio. As underlying credit spreads widen, the market value of the Notes will decline.

Risk of Loss

Noteholders bear the risk of loss in relation to the Reference Portfolio beginning on the Trade Date (as defined in the Charged Agreement). If a Credit Event occurs, the Realised Redemption Amount and/or the Extraordinary Interest Amount in respect of the Notes may be adversely affected.

No Obligation to Make Good on Losses

Neither the Issuer nor any of the Programme Parties guarantees the performance of or otherwise stands behind any Reference Entity or Reference Obligation and is not obligated to make good on any losses suffered by Noteholders as a result of Credit Events with respect to any Reference Entity or any Reference Obligation or otherwise.

Synthetic Exposure

The Reference Portfolio is a synthetic portfolio managed by the Portfolio Manager in accordance with the Portfolio Management Agreement. The Issuer does not own any of the Reference Obligations and the Swap Counterparty is not obligated to own any Reference Obligations or have any credit exposure to any Reference Entity. The Issuer and the Swap Counterparty need not suffer any loss in order for a Credit Event to exist.

Correlation Concerns

The size of the Reference Portfolio, its composition of Reference Entities and Reference Obligations and its weighted average rating and diversity are among some of the critical factors that affect both the market value of the Notes. Generally, the higher the degree of overlap among the names comprising the Reference Portfolio, the higher the spread that can be payable on the Notes but the greater the severity (e.g. credit loss) that would arise upon each Credit Event, thereby accelerating the rate at which the subordination is used up.

Leverage

The Notes represent a highly leveraged investment. The use of leverage is a speculative investment technique to enhance returns. However, leverage also will magnify the adverse impact of Credit Events in relation to the Reference Portfolio.

Default Rates

Reliable sources of statistical information may not exist with respect to the defaults for all types of assets comprising the Reference Portfolio. In addition, there is limited historical data regarding the performance of the Reference Portfolio. In any event, past performance is not indicative of future performance. Actual default rates may exceed historical default rates in respect of the Reference Portfolio.

Swap Counterparty Discretion

The Swap Counterparty will be entitled to determine in its sole and absolute discretion when and whether to deliver a Credit Event Notice and Notice of Publicly Available Information, and any delay or forbearance in delivering any such notices following the occurrence of any event or condition permitting the same is not and shall not be construed as a waiver of any such right and shall not affect the right of Swap Counterparty to give any such notice at any time thereafter.

Portfolio Management

Reference Entities and Adjustments

The Issuer has acceded to a master portfolio management agreement with, among others, Solent Capital (Guernsey) Limited (the “**Portfolio Manager**”), Solent Capital Partners LLP (the “**Portfolio Adviser**”) and the Swap Counterparty dated 21 November 2006 (the “**Master Portfolio Management Agreement**”) as supplemented by a portfolio management confirmation entered into by the Issuer and, among others, the Portfolio Manager on or about the date hereof in respect of the Notes (the “**Portfolio Management Confirmation**” and, together with the Master Portfolio Management Agreement, the “**Portfolio Management Agreement**”). The form of the Master Portfolio Management Agreement and the form of the Portfolio Management Confirmation applicable to the Notes are set out in Annexes 4 and 5 to this Prospectus.

Under the terms of the Portfolio Management Agreement, the Portfolio Manager has the right to replace any Reference Entity in the Reference Portfolio (a “**Removed Entity**”) with another entity (a “**Replacement Entity**”) in accordance with the Portfolio Management Agreement (the “**Substitution Rights**”). The Portfolio Manager may resign by providing 90 days’ prior written notice to, among others, the Issuer or be removed in certain circumstances, including without limitation, if the Portfolio Manager breaches any material provision of the Portfolio Management Agreement or the Portfolio Manager is wound up or dissolved. The Portfolio Manager will also be automatically removed if it ceases to be advised by the Portfolio Adviser. Pursuant to the terms of the Portfolio Advisory Agreement (as defined below), the Portfolio Adviser may be removed by the Portfolio Manager in certain circumstances as described in “Role of the Portfolio Adviser” below. Upon the resignation or removal of the Portfolio Manager, a successor portfolio manager will be appointed so long as the Notes are outstanding, provided that the provisions relating to the appointment of a successor portfolio manager set out in the Master Portfolio Management Agreement have been complied with. In the event such provisions have not been complied with, the resignation or removal of the Portfolio Manager will not be effective.

The Portfolio Management Agreement contains provisions relating to the payment of fees to the Portfolio Manager.

Because the composition of the Reference Portfolio, and hence the risk of the occurrence of a related Credit Event, may change over time depending on the extent to which the Portfolio Manager exercises the Substitution Rights in respect of any Reference Entity and the nature of the Replacements it makes, the performance of any investment in the Notes will be in part dependent on the selection of Reference Entities by the Portfolio Manager and its expertise to

make decisions with regard to the Reference Portfolio. However, the Substitution Rights are limited by the Portfolio Management Agreement and the Portfolio Manager must manage the Reference Portfolio in accordance with the Replacement Procedures and Portfolio Guidelines (as defined and set out therein). Noteholders may nonetheless suffer a loss as a result of the qualitative and quantitative limits in the Portfolio Management Agreement on the extent to which the Portfolio Manager may use its discretion to make Replacements.

Where a Replacement is effected, and a Trading Gain or Trading Loss (each as defined in the Portfolio Management Agreement) is realised as a result, then either a Subordination Adjustment or a Trading Account Adjustment (each as defined in the Portfolio Management Agreement) will be made, which may impact on the Extraordinary Interest Amount or the portion of the Scheduled Redemption Amount that is referable to the Trading Account Balance payable under the Notes respectively.

Role of the Portfolio Adviser

Pursuant to a portfolio advisory agreement between the Portfolio Manager and the Portfolio Adviser dated on or about the Issue Date that has been entered into solely in respect of the Reference Portfolio relating to the Notes (the “**Portfolio Advisory Agreement**”), the Portfolio Manager has appointed the Portfolio Adviser to provide advisory and certain other services that the Portfolio Manager may require from time to time in order for the Portfolio Manager to comply with its obligations under the Portfolio Management Agreement, including, without limitation, (a) advising on the making of any Replacements (including highlighting Reference Entities which are deteriorating in credit quality) and assisting in obtaining any firm quotation in respect of any Replacement as may be required by the Portfolio Manager under the Portfolio Management Agreement, (b) providing advice in relation to the Reference Portfolio, for the purposes of ensuring the Reference Portfolio satisfies the Portfolio Guidelines, (c) making, or assisting the Portfolio Manager in the making of, certain calculations and/or determinations in respect of the Notes and the Reference Portfolio (including the provision of relevant information to the Portfolio Manager) and (d) facilitating the settlement of certain technical trades and taking certain other necessary actions relating to the making of Replacements for the purposes of improving or maintaining the overall credit assessment of the Reference Portfolio.

The Portfolio Adviser may be removed by Portfolio Manager in certain circumstances including, without limitation, if the Portfolio Adviser breaches any material provision of the Portfolio Advisory Agreement which it knows would cause the Portfolio Manager to be in breach of the Portfolio Management Agreement. The Portfolio Adviser may also be removed by the Portfolio Manager by providing 60 days’ prior written notice with the agreement of the Issuer and the Trustee, upon the request of a majority of the Noteholders. In addition, the Portfolio Adviser will be automatically removed if the Portfolio Manager ceases to act in the capacity of Portfolio Manager under the Portfolio Management Agreement.

The fees of the Portfolio Adviser shall be payable by the Portfolio Manager in accordance with the Portfolio Advisory Agreement.

Issuer dependent upon the Portfolio Manager

The Issuer has no independent investment management expertise, apart from the services rendered by the Portfolio Manager. In acquiring the Notes, the Noteholders acknowledge that the Issuer relies on the expertise of the Portfolio Manager and accepts no responsibility for any Replacement made by the Portfolio Manager. However, any Replacement made by the Portfolio Manager must be in compliance with the Portfolio Management Agreement and the Portfolio Guidelines and the Replacement Procedures (each, as set out and defined in the Portfolio Management Agreement).

No assurance can be given that the Portfolio Manager will be successful in making Replacements that are beneficial to the Issuer and the Noteholders. There can be no assurance at any point in time as to what the precise composition of the Reference Portfolio will be. Prospective investors should examine carefully the Portfolio Management Agreement (comprised of the Master Portfolio Management Agreement and the Portfolio Management Confirmation relating to the Notes) prior to investing in the Notes.

Limitation of Liability

In exercising its powers and duties under the Portfolio Management Agreement, the Portfolio Manager will not be required to, and will not be responsible for any failure to, make any recommendations or directions whatsoever in relation to the Charged Agreement or the related Reference Portfolio in circumstances where it or any of its affiliates are in possession of information which is or which might reasonably be considered to be confidential, non-public or price sensitive information and, in the opinion of the Portfolio Manager, gives rise to, constitutes or results in a breach of any of the provisions of insider dealing legislation or laws, regulations or administrative guidelines to which it or its affiliates are subject, or any confidentiality agreement or undertaking which is binding on it or its affiliates. Under the Portfolio Management Agreement, the Portfolio Manager is not under any fiduciary duty or other obligation towards, nor has it any relationship of agency or trust for or with, any person other than the Issuer, the Trustee and the Swap Counterparty.

Notwithstanding any provision in the Portfolio Management Agreement to the contrary but without prejudice to the indemnity of the Issuer provided therein, the Issuer has no liability to any persons (including, without limitation, any holder of Notes or the Trustee) for any loss arising from any arrangement in relation to, or otherwise from the operation of, the Replacement Procedures and the application of the Portfolio Guidelines or from the performance or non-performance by any of the Portfolio Manager, the Calculation Agent and the Swap Counterparty or any other person of its rights or obligations thereunder, under the Portfolio Management Agreement or under the Charged Agreement and the Issuer is not obliged to monitor whether any of such persons has complied with its obligations under the Portfolio Management Agreement (including, without limitation, whether any Replacement complies with the Replacement Procedures and/or the Portfolio Guidelines (each, as defined in the Portfolio Management Agreement)).

Risks relating to the Portfolio Manager and/or the Portfolio Adviser

The Issuer is reliant on the employees of the Portfolio Manager to make Replacements with respect to the Reference Portfolio. The Portfolio Manager will be advised by the Portfolio Adviser pursuant to the Portfolio Advisory Agreement. See “Role of the Portfolio Adviser” above and the section headed “Information concerning the Portfolio Manager and the Portfolio Adviser” in this Prospectus. As a result, the performance of the Reference Portfolio is highly reliant on the expertise of the Portfolio Manager and/or the Portfolio Adviser. The loss of one or more of the key individuals employed by the Portfolio Manager and/or the Portfolio Adviser to make Replacements (in the case of the Portfolio Manager) and/or provide advice (in the case of the Portfolio Adviser) in relation to the Reference Portfolio could have a significant adverse effect on the Reference Portfolio. Neither the Portfolio Manager nor the Portfolio Adviser has any obligation to inform the Issuer or the Noteholders of the loss of one or more key individuals and neither the Portfolio Manager nor the Portfolio Adviser assume any liability for any damaging consequences arising out of such losses.

Early redemption in the event that tax is imposed upon the Issuer by reason of the Portfolio Manager's activities

If the Swap Counterparty at any time determines in good faith, after confirmation by a reputable international tax advisor, that there has been an imposition of, or there is a substantial likelihood of an imposition of, any tax or other charge on the assets or income of the Issuer by the taxing authorities (a) of the jurisdiction in which the Portfolio Manager is resident for tax purposes or (b) of any jurisdiction from which the Portfolio Manager exercises its rights or performs its duties with respect to Replacements (as defined in the Portfolio Management Agreement) in the Reference Portfolio, as a result of the operation of any provision of, or the exercise of any rights under, the Portfolio Management Agreement, an Additional Termination Event shall occur under the Charged Agreement. Accordingly, in the event that the Swap Counterparty designates an Early Termination Date (as defined in the Charged Agreement) as a result of the occurrence of such event, the Notes will fall due for early redemption pursuant to and in accordance with Conditions 7(c) and 7(e).

Independent Review and Advice

Each prospective purchaser of Notes is responsible for its own independent appraisal of and investigation into the business, financial condition, prospects, creditworthiness, status and affairs of any Reference Entity and Reference Obligations, as well as the risks in respect of the Notes and their terms, including, without limitation, any tax, accounting, credit, legal and regulatory risks.

A prospective purchaser of the Notes should have such knowledge and experience in financial and business matters and expertise in assessing credit risk that it is capable of evaluating the merits, risks and suitability of investing in such Notes including any credit risk associated with the Reference Entities and the Issuer. None of the Issuer or any of the Programme Parties will have any responsibility or duty to make any such investigations, to keep any such matters under review or to provide the prospective purchasers of the Notes with any information in relation to such matters or to advise as to the attendant risks. See also the section entitled "Investor Suitability" in the Base Prospectus.

Although the Swap Counterparty and/or its affiliates may have entered into and may from time to time enter into business transactions with Reference Entities, the Swap Counterparty and/or its affiliates at any time may or may not hold obligations of or have any business relationship with any particular Reference Entity.

No Representations

None of the Issuer, any of the Programme Parties or any of their respective affiliates will have made any investigation of, or makes any representation or warranty, express or implied, as to, any Reference Entity (including, without limitation, with regard to its financial condition or creditworthiness) or any Reference Obligation or any information contained in any documents provided by any Reference Entity to any of them or to any other person or filed by any Reference Entity with any exchange or with any governmental entity regulating the offer and sale of securities.

In particular, none of the Issuer, any of the Programme Parties or any of their respective affiliates will have made any investigation of, or makes any representation or warranty, express or implied, as to:

- (1) the existence or financial or other condition of any Reference Entity; or

- (2) whether the relevant Obligations (as defined in the Charged Agreement) and relevant Reference Obligations constitute legal, valid and binding obligations of the Reference Entity.

Conflicts of Interest

The Issuer, the Programme Parties, the Portfolio Manager and any of their respective affiliates may deal in any obligation, including any Reference Obligations of a Reference Entity or its affiliates, and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with any Reference Entity, its affiliates, any other person or entity having obligations relating to a Reference Entity or its affiliates and may act with respect to such business in the same manner as if any Notes issued hereunder did not exist, regardless of whether any such action might have an adverse effect (including, without limitation, any action which might give rise to a Credit Event) on a Reference Entity and/or its affiliates. Various potential and actual conflicts of interest may arise between the interests of the Noteholders, on the one hand, and some or all of the Issuer, the Programme Parties, the Portfolio Manager and any of their respective affiliates, on the other hand. None of the Issuer, the Programme Parties, the Portfolio Manager nor any of their respective affiliates is required to resolve such conflicts of interest in favour of the Noteholders and may pursue actions and take such steps that it deems necessary or appropriate to protect its interests without regard to the consequences for the Noteholders. In particular, the interests of the Swap Counterparty may be adverse to those of the Noteholders. The terms of the Notes and the Charged Agreement provide the Swap Counterparty and the Calculation Agent with certain discretions which it may exercise without any regard for the interests of the Noteholders.

No Fiduciary Role

None of the Issuer, any of the Programme Parties, the Portfolio Manager or any of their respective affiliates is acting as an investment adviser, and none of them (other than the Trustee) assumes any fiduciary obligation, to any purchaser of Notes.

None of the Issuer or any of the Programme Parties or the Portfolio Manager assumes any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any Reference Entity or any Reference Obligation or of the Swap Counterparty or the terms of the Charged Agreement.

None of such parties makes any representation or warranty, express or implied, as to any of such matters nor as to the legal, valid and binding effect of the terms of the Charged Agreement.

Provision of Information

The Issuer, the Programme Parties, the Portfolio Manager and any of their respective affiliates, whether by virtue of the types of relationships described herein or otherwise, may possess information in relation to any Reference Entity, any affiliate of a Reference Entity or any guarantor or any Reference Obligation that is or may be material in the context of these Notes and that may or may not be publicly available or known. The Notes will not create any obligation on the part of any of the Issuer, the Programme Parties, the Portfolio Manager and any of their respective affiliates to disclose any such relationship or information (whether or not confidential). None of the Issuer, the Programme Parties, the Portfolio Manager or any of their respective affiliates makes any representation as to the credit quality of any Reference Entity or Reference Obligation. The information contained herein in relation to the Reference Entities and Reference Obligations is contained in Annex I attached to the Form of Notional Swap Confirmation set out in Schedule 1 to the Form of Swap Confirmation and, while the Issuer accepts responsibility for correctly reproducing such information from such Confirmation, no other responsibility in respect

thereof is accepted. In particular, none of the Issuer, the Programme Parties and the Portfolio Manager or any of their respective affiliates or any other person has verified the information relating to the Reference Entities or Reference Obligations contained herein or in any of the documents made available for inspection by the Noteholders and, accordingly, none of them makes any representation or warranty, express or implied, as to the accuracy or completeness of such information.

This Prospectus does not provide any information on the creditworthiness or likelihood of the occurrence of a Credit Event with respect to any Reference Entity and/or Reference Obligation. As the occurrence of a Credit Event may result in a loss to purchasers of the Notes, each prospective investor is advised to make its own assessment of the likelihood of the occurrence of a Credit Event in respect of any Reference Entities and/or Reference Obligations from time to time constituting the Reference Portfolio.

Legal Opinions

Whilst legal opinions relating to the issue of the Notes will be obtained by the Arranger, the Dealer and the Trustee with respect to English law and the law of the jurisdiction of incorporation of the Issuer, it is not intended that legal opinions be obtained with respect to the laws governing any Reference Obligation or the laws of the jurisdiction of incorporation of a Reference Entity in the context of the validity, enforceability or binding nature of the relevant Reference Obligation as against the relevant Reference Entity.

CONDITIONS OF THE NOTES

Series 2006 (Spinnaker III Europe TRED 2 Series 1) EUR 3,000,000 Secured Limited Recourse Credit-Linked Notes due 2016

The terms and conditions of the Notes designated as above (the “**Notes**”) shall be the Master Conditions as completed, modified and amended by the terms set out below (the “**Terms**”). The Master Conditions are set out in the Base Prospectus relating to the XELO II Public Limited Company U.S.\$5,000,000,000 Programme for the issue of Notes and the making of Alternative Investments (the “**Programme**”). Unless the context otherwise requires, terms defined in the Master Conditions or in the Charged Agreement (as defined below) shall have the same meanings when used in these Terms.

1.
 - (i) Issuer: XELO II Public Limited Company.
 - (ii) Arranger and Dealer: Barclays Bank PLC.
 - (iii) Swap Counterparty: Barclays Bank PLC.
 - (iv) Portfolio Manager: Solent Capital (Guernsey) Limited.
 - (v) Trustee: BNY Corporate Trustee Services Limited.
 - (vi) Issue Agent and Principal Paying Agent: JPMorgan Chase Bank, N.A.
 - (vii) Paying Agent and Irish Listing Agent: J.P. Morgan Bank (Ireland) plc.
 - (viii) Custodian: JPMorgan Chase Bank, N.A.
 - (ix) Interest Calculation Agent: Not Applicable.
 - (x) Calculation Agent: Barclays Bank PLC.
 - (xi) Common Depository: The Bank of New York
 - (xii) Determination Agent: Not Applicable.
2.
 - (i) Series Number: 2006 (Spinnaker III Europe TRED 2 Series 1).
 - (ii) Specified Currency: Euro (“**EUR**”).
3. Principal Amount: EUR 3,000,000.
4. Status: The Notes are secured and limited recourse obligations of the Issuer ranking *pari passu* and rateably without preference among themselves, recourse in respect of which is limited in the manner described in the Conditions. The Notes are secured in the manner described in Condition 4 and Paragraph 12 (Security) below and are subject to the priority set out below.

After meeting the expenses and remuneration of and any other amounts due to the Trustee, including in respect of liabilities incurred, or to any receiver appointed pursuant to the Trust Deed, in each case in respect of the Notes, the net proceeds of the enforcement of the security constituted pursuant to the Trust Deed will be applied:

- (i) **first**, in meeting the claims (if any) (excluding, for the avoidance of doubt, in relation to any claim in respect of any Clean-Up Payment) of the Swap Counterparty under the Charged Agreement;
- (ii) **secondly**, in meeting the claims (if any) of the Noteholders *pari passu* and rateably;
- (iii) **thirdly**, in meeting the claims (if any) in respect of any Clean-Up Payment of the Swap Counterparty under the Charged Agreement; and
- (iv) **fourthly**, in payment of the balance (if any) to the Issuer.

- 5. Issue Price: 100 per cent.
Net Proceeds: EUR 2,988,750 after deduction of the Arranger's commission in the amount of EUR 11,250.
- 6. Authorised Denomination: EUR 100,000 and integral multiples of EUR 10,000 in excess thereof.
- 7. Issue Date: 12 December 2006.
- 8. Maturity Date: The Termination Date of the Charged Agreement (as defined therein).
- 9. Charged Assets: There are no Charged Assets.
- 10. Charged Agreement: The International Swaps and Derivatives Association, Inc. ("**ISDA**") 1992 form of Master Agreement (Multicurrency – Cross Border) and a schedule thereto dated the date of the Constituting Instrument between the Swap Counterparty and the Issuer, as supplemented by (i) a confirmation of a credit swap transaction entered into between the Swap Counterparty and the Issuer, with an effective date of 12 December 2006 (the "**Confirmation**") including a notional credit default swap confirmation (the "**Notional Swap Confirmation**") linked to the Reference Portfolio and (ii) the ISDA 1995 form

of Credit Support Annex (Bilateral Form-Transfer) and the Paragraph 11 thereto in the form of Annex 2.

11. Portfolio Management Agreement: The Reference Portfolio under the Charged Agreement is subject to Replacements (as defined in the Portfolio Management Agreement) pursuant to a portfolio management agreement (the “**Portfolio Management Agreement**”) comprising a master portfolio management agreement dated 21 November 2006 between, inter alios, the Swap Counterparty, Solent Capital (Guernsey) Limited (the “**Portfolio Manager**”) and Solent Capital Partners LLP (the “**Portfolio Adviser**”) and to which the Issuer acceded on 12 December 2006 (the “**Master Portfolio Management Agreement**”), as amended and supplemented by a portfolio management confirmation dated 12 December 2006 between the Issuer, the Swap Counterparty, the Portfolio Manager and the Portfolio Adviser (the “**Portfolio Management Confirmation**”).
12. Security: As set out in Condition 4(a), save that there will be no (i) Charged Assets or (ii) Charged Assets Sale Agreement (and accordingly no security granted thereover). In addition, the Issuer’s rights, title, benefit and interest in to and under the Portfolio Management Agreement will be assigned as continuing security in favour of the Trustee.
13. Provisions Relating to Interest Payable on the Notes: The Issuer shall pay in respect of each Note and each Interest Period an amount equal to the Interest Amount on the relevant Interest Payment Date. Interest Amounts shall accrue from the Interest Commencement Date and shall cease to accrue on (but excluding) the Interest Payment Date falling in December 2009.
- In addition to each Interest Amount payable on each Interest Payment Date, and provided that a Target Redemption Trigger Event has not occurred, the Issuer shall pay in respect of each Note the following amounts (together, the “**Extraordinary Interest Amount**”):
- (i) on the Scheduled Termination Date (as defined in the Charged Agreement) or, if such date is not a Business Day, on the following Business Day, an amount equal to such Note’s *pro rata* share (rounded down to the nearest cent) of the product of (a) 120 per cent. and (b) the Adjusted

Notional Amount (as defined in the Charged Agreement) as of the Scheduled Termination Date (after giving effect to any adjustment thereto in connection with any effective Extension Notice under the Notional Swap Confirmation); and

- (ii) if there is a Deferred Settlement Date (as defined in the Charged Agreement), on such date, an amount equal to such Note's *pro rata* share (rounded down to the nearest cent) of the product of (a) 120 per cent. and (b) the Adjusted Notional Amount as of the Deferred Settlement Date, if any, plus interest accrued on such amount at the Swap Counterparty's overnight deposit rate for EUR deposits in the amount of the Adjusted Notional Amount, from (and including) the Scheduled Termination Date to (but excluding) the Deferred Settlement Date, as determined by the Calculation Agent under the Charged Agreement.

If the payment of each Note's *pro rata* share of the amount provided in (i) above on the Scheduled Termination Date is postponed solely due to the Scheduled Termination Date not being a Business Day, interest on the amount payable on the Scheduled Termination Date shall accrue from (and including) the Scheduled Termination Date to (but excluding) the following Business Day at the Swap Counterparty's overnight deposit rate for EUR deposits in the amount of the Adjusted Notional Amount, as determined by the Calculation Agent under the Charged Agreement, and shall be payable on such following Business Day.

- (i) Interest Commencement Date: Issue Date.
- (ii) Interest Periods: Each Buyer Calculation Period (as defined in the Charged Agreement) ending on or before the Buyer Period End Date falling in December 2009.
- (iii) Interest Payment Dates: Each Buyer Period End Date (as defined in the Charged Agreement) up to and including the Buyer Period End Date falling in December 2009.
- (iv) Interest Amounts: In respect of each Interest Payment Date and each Note, such Note's *pro rata* share (rounded

down to the nearest cent) of an amount equal to the Buyer Payment Amount payable in respect of the Buyer Period End Date (in each case, as defined in the Charged Agreement) that corresponds to such Interest Payment Date.

For the avoidance of doubt, the provisions of this Paragraph 13 are deemed to amend and supplement Condition 6 and, to the extent of any conflict between the provisions of this Paragraph 13 and Condition 6, the provisions of this Paragraph 13 shall prevail.

14. Notes issued in bearer or registered form: Bearer Notes. The Notes shall be a non-U.S. Series.
15. Whether Notes will be C Notes or D Notes: The Notes shall be D Notes and, accordingly, the Notes shall be represented on issue by a Temporary Global Note.
16. Provisions for exchange of Temporary Global Note: The Temporary Global Note shall be exchangeable for a Permanent Global Note on or after 40 days from the Issue Date (or such later date as may be determined to be the Exchange Date in accordance with the terms of such Temporary Global Note) upon certification as to non-U.S. beneficial ownership.
17. Provisions for exchange of Permanent Global Note: The Permanent Global Note shall be exchangeable for definitive bearer Notes in the limited circumstances set out in Condition 1(a)(1).
18. Talons to be attached to the Notes and, if applicable, the number of Interest Payment Dates between the maturity for each Talon: No.
19. Listing: Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. However, the Notes will not be so listed or admitted to trading on the Issue Date and no assurance is given that such listing or admission to trading will be obtained thereafter.
20. Rating: None.
21. Business Days: London, New York and TARGET Settlement Days. In these Terms and for the purposes of the Conditions, references to “**Business Days**” shall (except where specified otherwise) be construed as references to days which are London and New York Business Days and TARGET Settlement Days.

22. Call/Put Option: Not Applicable.
23. Scheduled Redemption Amount: The Notes are Credit-Linked Notes. Unless earlier redeemed in accordance with these Terms or the Master Conditions, including a redemption of the Notes following the occurrence of a Target Redemption Trigger Event, the Scheduled Redemption Amount payable in respect of each Note will consist of the following amounts:
- (i) on the Scheduled Termination Date (as defined in the Charged Agreement) or, if such date is not a Business Day, on the following Business Day, an amount equal to such Note's *pro rata* share (rounded down to the nearest cent) of the Principal Amount; and
 - (ii) on the Scheduled Termination Date or, if such date is not a Business Day, on the following Business Day or, if there is a Deferred Settlement Date, on such date, an amount equal to such Note's *pro rata* share (rounded to the nearest cent) of either (A) 50 per cent. of the Trading Account Balance (as defined in the Charged Agreement) as of such date; or (B) if the aggregate Cash Settlement Amounts determined in respect of the Notional Swap Confirmation (and as defined therein) as of or prior to such date exceed the Adjusted Subordination Amount (as so defined) as of such date, 100 per cent. of the Trading Account Balance as of such date.
- If the payment of each Note's *pro rata* share of the Principal Amount on the Scheduled Termination Date is postponed solely due to the Scheduled Termination Date not being a Business Day, interest on the amount payable on the Scheduled Termination Date shall accrue from (and including) the Scheduled Termination Date to (but excluding) the following Business Day at the Swap Counterparty's overnight deposit rate for EUR deposits in the amount of the Principal Amount, as determined by the Calculation Agent under the Charged Agreement, and shall be payable on such following Business Day.
24. Settlement Procedures: The Notes have been accepted for settlement in Euroclear and Clearstream, Luxembourg.

25. ISIN: XS0278577365
26. Common Code: 027857736
27. Consideration for initial Charged Assets: Not Applicable.
28. Additional Provisions: *Early Redemption of the Notes following a Target Redemption Trigger Event*
- (i) Unless earlier redeemed in accordance with these Terms and Conditions, each Note shall, following the occurrence of a Target Redemption Trigger Event (as described below), be redeemed on the Target Redemption Date at its *pro rata* share (rounded down to the nearest cent) of the Realised Redemption Amount.
 - (ii) A “**Target Redemption Trigger Event**” shall occur if, on any Observation Date, the Calculation Agent determines that the sum of (a) the Present Value of the Final Redemption Amount as of such Observation Date and (b) the Realised Credit Swap Value as of such Observation Date, is equal to or greater than the Target Amount in respect of such Observation Date and the Swap Counterparty, having made all reasonable efforts, is able, as at such Observation Date, to enter into a credit default swap transaction on terms substantially identical to the Replacement Transaction as of such date at levels identical to the Realised Credit Swap Value determined in accordance with the procedures (the “**Valuation Procedures**”) set out in paragraph 28(iii) below.
 - (iii) If, on any Quotation Date, the Calculation Agent determines that the sum of (a) the Present Value of the Final Redemption Amount and (b) the Indicative Buyer Credit Swap Value is equal to or greater than the Threshold Amount in respect of the Observation Date immediately following such Quotation Date, then:
 - (a) the Swap Counterparty shall, on or before noon (London time) on such Quotation Date, notify the Portfolio Manager by telephone or

e-mail of the Indicative Buyer Credit Swap Value as of such Quotation Date;

- (b) upon notification by the Swap Counterparty of the Indicative Buyer Credit Swap Value, the Portfolio Manager shall immediately notify the Swap Counterparty as to whether the Portfolio Manager wishes to:
 - (i) proceed on the basis of the Indicative Buyer Credit Swap Value; or
 - (ii) proceed with obtaining a Replacement Quotation in respect of the Replacement Transaction;
- (c) unless the Portfolio Manager has notified the Swap Counterparty on the relevant Quotation Date and immediately following receipt of the Indicative Buyer Credit Swap Value on the relevant Quotation Date of its intention to proceed on the basis of the Indicative Buyer Credit Swap Value, then, on or prior to noon (London time) on the Observation Date immediately following the relevant Quotation Date:
 - (i) the Swap Counterparty will refresh the Indicative Buyer Credit Swap Value provided on the immediately preceding Quotation Date and notify the Portfolio Manager thereof (as so refreshed, the “**Firm Buyer Credit Swap Value**”); and
 - (ii) the Portfolio Manager will obtain and provide the Swap Counterparty with a Replacement Quotation from an Approved Dealer in respect of the Replacement Transaction, provided, that such Replacement Quotation shall remain firm and open

for acceptance by the Swap Counterparty.

(iv) For the purposes of this paragraph 28:

“Approved Dealer” has the meaning given thereto in the Portfolio Management Confirmation.

“Indicative Credit Swap Value” means, on any day, an amount, as determined by the Swap Counterparty in its sole and absolute discretion, expressed in EUR and given by way of firm quotation which a party selected by the Swap Counterparty is prepared to pay as an upfront payment in consideration for the sale of credit protection by such selected party under a credit default confirmation on terms identical to the Replacement Transaction.

“London Business Day” means a day on which banks are open for general business and the carrying on of transactions in London.

“Observation Date” means each 20 December, 20 March, 20 June and 20 September in each year, commencing on and including 20 December 2010 and ending on and including 20 September 2016 or, in each case, if such date is not a Business Day, the following Business Day.

“Present Value of the Final Redemption Amount” means, on any day, the present value on such day of the Final Redemption Amount (as defined in the Charged Agreement) on the basis of such discount rate as is determined by the Swap Counterparty in its sole and absolute discretion.

“Quotation Date” means, the date falling one London Business Day immediately prior to each Observation Date.

“Realised Credit Swap Value” means, in respect of the Replacement Transaction, either:

- (i) in the event that the Portfolio Manager elects to proceed on the basis of the Indicative Buyer Credit Swap Value, the Indicative Buyer Credit Swap Value; or
- (ii) in the event that the Portfolio Manager does not so elect, the higher of the Firm Buyer Credit Swap Value and the Replacement Quotation obtained in

respect of the Replacement Transaction,

in either case, as determined in accordance with the Valuation Procedures.

“Realised Redemption Amount” means, in respect of the Target Redemption Date, an amount in EUR equal to the sum of:

- (i) the Realised Credit Swap Value as of the Target Redemption Event Date; and
- (ii) the Present Value of the Final Redemption Amount, as at the Target Redemption Event Date; and
- (iii) either: (A) 50 per cent. of the Trading Account Balance as of the Target Redemption Event Date; or (B) if the aggregate Cash Settlement Amounts determined in respect of the Notional Swap Confirmation as of or prior to such date exceed the Adjusted Subordination Amount as of such date, 100 per cent. of the Trading Account Balance as of the Target Redemption Event Date.

“Replacement Quotation” means, on any day, an amount expressed in EUR and given by way of firm quotation which an Approved Dealer selected by the Portfolio Manager is prepared to pay, as an upfront payment in consideration for the sale of credit protection by such Approved Dealer under a credit default swap confirmation on terms identical to the Replacement Transaction.

“Replacement Transaction” means, on any day, a tranching portfolio credit default swap transaction on terms substantially identical to those of the Notional Swap Confirmation as of such day, *provided that* (i) the Adjusted Notional Amount shall be deemed to be payable by the Swap Counterparty (in its capacity as the buyer of credit protection thereunder) to the seller of credit protection thereunder on the Scheduled Termination Date of the Notional Swap Confirmation, (ii) the Reference Portfolio shall be deemed to become static as of such day and (iii) the Trading Account Balance as of such day and for the remaining term of such replacement transaction shall be deemed to be zero.

“Target Amount” means, in respect of any Observation Date, an amount in EUR, equal to the product of (i) the Principal Amount and (ii)

the percentage set out under the heading “Target Percentage” opposite the relevant Observation Date in the table below:

| Observation Date | Target Percentage |
|-------------------------|--------------------------|
| 20/12/2010 | 111.32 |
| 20/03/2011 | 112.95 |
| 20/06/2011 | 114.61 |
| 20/09/2011 | 116.29 |
| 20/12/2011 | 117.99 |
| 20/03/2012 | 119.73 |
| 20/06/2012 | 121.48 |
| 20/09/2012 | 123.26 |
| 20/12/2012 | 125.07 |
| 20/03/2013 | 126.91 |
| 20/06/2013 | 128.77 |
| 20/09/2013 | 130.66 |
| 20/12/2013 | 132.58 |
| 20/03/2014 | 134.52 |
| 20/06/2014 | 136.50 |
| 20/09/2014 | 138.50 |
| 20/12/2014 | 140.53 |
| 20/03/2015 | 142.59 |
| 20/06/2015 | 144.69 |
| 20/09/2015 | 146.81 |
| 20/12/2015 | 148.96 |
| 20/03/2016 | 151.15 |
| 20/06/2016 | 153.37 |
| 20/09/2016 | 155.62 |

“**Target Redemption Date**” means the day falling 3 Business Days after the Target Redemption Event Date.

“**Target Redemption Event Date**” means the day on which a Target Redemption Trigger Event has occurred.

“**Threshold Amount**” means, in respect of any Quotation Date, an amount in EUR, equal to the product of (i) the Principal Amount and (ii) the percentage set out under the heading “Threshold Percentage” opposite the relevant Observation Date immediately following the relevant Quotation Date in the table below:

| Observation Date | Threshold Percentage |
|-------------------------|-----------------------------|
| 20/12/2010 | 105.75 |
| 20/03/2011 | 107.30 |

| | |
|------------|--------|
| 20/06/2011 | 108.88 |
| 20/09/2011 | 110.47 |
| 20/12/2011 | 112.09 |
| 20/03/2012 | 113.74 |
| 20/06/2012 | 115.41 |
| 20/09/2012 | 117.10 |
| 20/12/2012 | 118.82 |
| 20/03/2013 | 120.56 |
| 20/06/2013 | 122.33 |
| 20/09/2013 | 124.13 |
| 20/12/2013 | 125.95 |
| 20/03/2014 | 127.80 |
| 20/06/2014 | 129.67 |
| 20/09/2014 | 131.58 |
| 20/12/2014 | 133.51 |
| 20/03/2015 | 135.47 |
| 20/06/2015 | 137.45 |
| 20/09/2015 | 139.47 |
| 20/12/2015 | 141.52 |
| 20/03/2016 | 143.59 |
| 20/06/2016 | 145.70 |
| 20/09/2016 | 147.84 |

- (v) For the avoidance of doubt, the provisions of this paragraph 28 are deemed to amend and supplement Condition 7 and Condition 7(a) shall be read and construed accordingly.

29. Agent for service of process: For the purposes of Condition 18 (Governing Law and Submission to Jurisdiction), the Issuer has appointed Simmlaw Services Limited at its registered office at CityPoint, One Ropemaker Street, London EC2Y 9SS as its agent for service of any proceedings in England in relation to the Notes and the Constituting Instrument.
30. Credit Events: The occurrence of any Credit Events (as defined in the Charged Agreement) and all calculations, determinations and other steps required to be taken in connection therewith, in each case under or in respect of the Charged Agreement, are conclusive and binding on the Issuer, the Trustee, the Noteholders, the Principal Paying Agent, the Paying Agent and all other persons as and when they occur or they are made or taken under or in connection with the Charged Agreement pursuant to its terms, without further notice or determination hereunder.
31. Depositary Account: XE212.

CONFIRMED

XELO II Public Limited Company

By:

Dated 12 December 2006

TAX CONSIDERATIONS

Prospective investors should consult their own tax advisors on the possible tax consequences of the purchase, ownership and disposition of the Notes under the laws of their country of citizenship, residence or domicile.

Investors should consult their own tax advisors regarding whether the purchase of the Notes, either alone or in conjunction with an investor's other activities, may subject a holder to any state or local taxes based, for example, on an assertion that the investor is either "doing business" in, or deriving income from a source located in, any state or local jurisdiction. Additionally, potential investors should consider the state, local and other tax consequences of purchasing, owning or disposing of a Note. State and local tax laws may differ substantially from the corresponding federal tax law, and the foregoing discussion does not purport to describe any aspect of the tax laws of any state or other jurisdiction.

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges, that may be applicable to any payment to it in respect of the Notes. Neither the Issuer nor any other person will pay any additional amounts to the Noteholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes by the Issuer or by the Principal Paying Agent.

SUBSCRIPTION AND SALE

General

No action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any part thereof or any other offering material or this Prospectus, in any country or jurisdiction where action for that purpose is required.

The Arranger and each Dealer will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus or any part thereof, any other offering material or this Prospectus in all cases at its own expense unless otherwise agreed and neither the Issuer nor any other Arranger shall have responsibility therefor.

United States

The Notes have not been and will not be registered under the Securities Act. Consequently, the Notes may not be offered, sold, resold, delivered or transferred within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act).

United Kingdom

The Arranger and each Dealer has agreed that:

- (A) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “**FSMA**”) by the Issuer;
- (B) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (C) it has complied and will comply with all applicable provisions of the FSMA (and all rules and regulations made pursuant to FSMA) with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Cayman Islands

No invitation may be made to the public in the Cayman Islands to subscribe for the Notes unless at the time of such invitation the Issuer is listed on the Cayman Islands Stock Exchange. The Issuer currently has no intention of applying for such a listing.

European Economic Area

In relation to Notes which have a maturity of 12 months or more from their date of issue and which are not to be listed and admitted to trading on the regulated market of the Irish Stock Exchange (or other regulated market for the purposes of the Prospectus Directive) and have denominations of less than €50,000, in relation to each member state of the European Economic Area (each, a “**Member State**”) which has implemented the Prospectus Directive (each such Member State, a “**Relevant Member State**”), the Arranger and each Dealer has represented and agreed, and each further Arranger 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 Notes 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 Notes to the public in that Relevant Member State:

- (i) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (ii) 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;
- (iii) 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 net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (iv) 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 Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France

The Arranger and each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, the Notes to the public in France and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France the relevant Prospectus or any other offering material relating to the Notes and that such offers, sales and distributions have been and will only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in accordance with Articles L.411-1, L.411-2, D.411-1 and D.411-2 of the French *Code monétaire et financier*.

Italy

The offering of a Series of Notes will not be registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the relevant Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to professional investors (*operatori qualificati*) (the “**Professional Investors**”), as defined in Article 31, second paragraph, of CONSOB (the Italian Securities Exchange Commission) Regulation No. 11522 of 1 July 1998, as amended (“**Regulation No. 11522**”);
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended; or
- (iii) as a consequence of a specific individual agreement with an Italian resident who has submitted an unsolicited offer to the Dealer, in compliance with Italian securities, tax and any other applicable laws or regulations.

Any offer, sale or delivery of the Notes or distribution of copies of the relevant Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Regulation No. 11522 and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”); and
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, inter alia, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (c) in compliance with any other applicable laws and regulations.

In any case the Notes shall not be placed, sold or offered either in the primary or the secondary market to individuals residing in Italy.

The Netherlands

The Arranger and each Dealer has represented and agreed, that:

- (i) if Notes are issued to it by the Issuer and the Arranger or Dealer is a resident of the Netherlands, the Arranger or Dealer is a Professional Market Party (as such term is used in the Guidelines referred to below) and is aware that any sale and transfer of such Notes to it will be made in reliance on such confirmation and it agrees to provide the Issuer with such information as it may require to evidence this; and
- (ii) Notes (including rights representing an interest in a Global Note) may not, directly or indirectly, be, or be announced to be, offered, sold, resold, transferred, or delivered prior to their initial distribution or at any time thereafter, to or to the order of or for the account of, any person anywhere in the Netherlands other than Professional Market Parties.

If at the time of issue of Notes (including rights representing an interest in a Global Note) the Issuer is not reasonably able to identify the current or future holders thereof as Professional Market Parties, it may nevertheless issue such Notes if it has taken sufficient measures to ensure that such Notes are held by Professional Market Parties.

Sufficient measures have been taken by the Issuer if:

- (a) the Notes (i) have a denomination of at least EUR 100,000 (or the equivalent in any other currency), or (ii) irrespective of their denomination, can be acquired only as a package for a consideration of at least EUR 100,000 or the equivalent in any other currency, provided that (i) the offer, the relevant Prospectus and each announcement of the offer states that the Notes are only offered as a package for a consideration of at least EUR 100,000 or the equivalent in any other currency and (ii) any such document or written announcement is submitted to the Dutch Authority for the Financial Markets before the offer is made or announced; and
- (b) the Notes are either:
 - (i) at the time of their issuance entered into a clearing system or centralised deposit system that is established or operating in a member state of the European Union, Liechtenstein, Iceland, Norway, the United States, Japan, Australia, Canada or Switzerland in which securities can only be held through a licensed credit institution or securities institution; or
 - (ii) are initially issued to Professional Market Parties that are reasonably expected to transfer the Notes exclusively to Professional Market Parties;

all within the meaning of and as further described and defined in the Guidelines published by Dutch Central Bank (Official Gazette, 31 December 2004, no. 254) as amended and/or restated from time to time.

Japan

The Arranger and each Dealer is aware that the Notes have not been, and will not be, registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”), and that it may not offer or sell any such Notes, directly or indirectly, in Japan or to, or the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Republic of Ireland

The Arranger and each Dealer has represented and agreed that:

- (i) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act 1995 (as amended), including, without limitation, Sections 9 and 23 thereof and any codes of conduct rules made under Section 37 thereof and the provisions of the Investor Compensation Act 1998;
- (ii) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 – 1999 (as amended) and any codes of conduct rules made under Section 117(1) thereof; and.

- (iii) it will not underwrite the issue of, place or otherwise act in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued by the Irish Financial Services Regulatory Authority pursuant thereto.

Jersey

No offer for subscription, sale or exchange of any Notes will be made to the public in Jersey.

Guernsey

No offer for subscription, sale or exchange of any Notes will be made to the public in Guernsey.

INFORMATION CONCERNING THE SWAP COUNTERPARTY

Barclays (as defined below) accepts sole responsibility for the following information. None of the Issuer, the Trustee, the Portfolio Manager, the Portfolio Adviser or any of the other Programme Parties (other than Barclays) has verified, or accepts any liability whatsoever for the accuracy of, such information and prospective investors in the Notes should make their own independent investigations and enquiries in respect of Barclays and the Group (each, as defined below).

Barclays Bank PLC ("**Barclays**") is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

Barclays Bank PLC and its subsidiary undertakings (taken together, the "**Group**") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group and one of the largest financial services companies in the world by market capitalisation. Certain debt securities of Barclays are listed on the London Stock Exchange.

The short term unsecured obligations of Barclays Bank PLC are rated A-1+ by Standard & Poor's, P-1 by Moody's and F1+ by Fitch Ratings Limited and the long-term obligations of Barclays Bank PLC are rated AA by Standard & Poor's, Aa1 by Moody's and AA+ by Fitch Ratings Limited.

Based on the Group's unaudited financial information for the period ended 30 June 2006, the Group had total assets of £986,375 million (2005: £850,388 million), total net loans and advances¹ of £317,427 million (2005: £272,348 million), total deposits² of £339,421 million (2005: £302,253 million), and total shareholders' equity of £25,790 million (2005: £22,050 million) (including minority interests of £1,608 million (2005: £200 million)). The profit before tax of the Group for the period ended 30 June 2006 was £3,700 million (2005: £2,690 million) after impairment charges on loans and advances and other credit provisions of £1,057 million (2005: £706 million). The financial information in this paragraph is extracted from the unaudited consolidated accounts of the Group for the half-year ended 30 June 2006.

¹ Total net loans and advances include balances relating to both bank and customer accounts.

² Total deposits include deposits from bank and customer accounts.

INFORMATION CONCERNING JPMORGAN CHASE BANK, N.A.

JPMorgan Chase Bank, N.A. accepts sole responsibility for the following information. None of the Issuer, the Arranger, the Trustee, the Swap Counterparty, the Portfolio Manager, the Portfolio Adviser or any of the other Programme Parties has verified, or accepts any liability whatsoever for the accuracy of, such information and prospective investors in the Notes should make their own independent investigations and enquiries into JPMorgan Chase Bank, N.A.

JPMorgan Chase Bank, National Association (“**JPMCB**”) is a wholly owned bank subsidiary of JPMorgan Chase & Co. (“**JPMorgan Chase**”), a Delaware corporation whose principal office is located in New York, New York. JPMCB is a commercial bank offering a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of December 31, 2005, JPMorgan Chase Bank, National Association, had total assets of \$1,014.0 billion, total net loans of \$390.9 billion, total deposits of \$552.6 billion, and total stockholder’s equity of \$86.4 billion. These figures are extracted from JPMCB’s unaudited Consolidated Reports of Condition and Income as at December 31, 2005, which are filed with the Federal Deposit Insurance Corporation.

Additional information, including the most recent Form 10-K for the year ended December 31, 2005, of JPMorgan Chase & Co., the 2005 Annual Report of JPMorgan Chase & Co. and additional annual, quarterly and current reports filed or furnished with the Securities and Exchange Commission by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this section headed ‘Information concerning JPMorgan Chase Bank, N.A.’ (such section being the “**Official Statement**”) is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017.

JPMorgan Chase entered into an agreement with The Bank of New York Company, Inc. (“**BNY**”) pursuant to which JPMorgan Chase exchanged select portions of its corporate trust business, including municipal, corporate and structured finance trusteeships and agency appointments, for BNY’s consumer, small-business and middle-market banking businesses. This transaction was approved by both companies’ boards of directors and was completed on 01 October 2006.

The information contained in this Official Statement relates to and has been obtained from JPMCB. The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of JPMCB since the date hereof, or that the information contained or referred to in this Official Statement is correct as of any time subsequent to its date.

INFORMATION CONCERNING BNY CORPORATE TRUSTEE SERVICES LIMITED

BNY Corporate Trustee Services Limited (formerly known as J.P. Morgan Corporate Trustee Services Limited) accepts sole responsibility for the following information. None of the Issuer, the Arranger, the Principal Paying Agent, the Swap Counterparty, the Investment Manager, the Portfolio Adviser or any of the other Programme Parties has verified, or accepts any liability whatsoever for the accuracy of, such information and prospective investors in the Notes should make their own independent investigations and enquiries into BNY Corporate Trustee Services Limited.

On 2 October 2006, J.P. Morgan Corporate Trustee Services Limited changed its name to BNY Corporate Trustee Services Limited and will shortly become a wholly-owned subsidiary of BNY Corporate Holdings (UK) Limited. This in turn is a wholly-owned subsidiary undertaking of BNY International Financing Corporation which is in turn a wholly-owned subsidiary of The Bank of New York.

BNY Corporate Trustee Services Limited is a trust corporation and administers a substantial and diverse portfolio of corporate trusteeships for both domestic and foreign companies and institutions.

BNY Corporate Trustee Services Limited's registered office and principal place of business is at One Canada Square, London E14 5AL.

The Bank of New York is incorporated, with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situate at One Wall Street, New York, NY 10286, USA and a branch registered in England and Wales with FC No. 005522 and BR No. 000818 with its principal office in the United Kingdom situate at One Canada Square, London E14 5AL.

The Bank of New York is a leading provider of corporate trust and agency services. The Bank of New York and its subsidiaries and affiliates administer a portfolio of more than 90,000 trustee and agency appointments, representing \$3 trillion in outstanding securities for more than 30,000 clients around the world. The Bank of New York is a recognized leader for trust services in several debt products, including corporate and municipal debt, mortgage-backed and asset-backed securities, derivative securities services and international debt offerings.

The information contained in this official statement relates to and has been obtained from BNY Corporate Trustee Services Limited. The delivery of this official statement shall not create any implication that there has been no change in the affairs of BNY Corporate Trustee Services Limited since the date hereof, or that the information contained or referred to in this official statement is correct as of any time subsequent to its date.

INFORMATION CONCERNING THE PORTFOLIO MANAGER AND THE PORTFOLIO ADVISER

Solent Capital Partners LLP accepts responsibility solely for the information set out below relating to Solent Capital Partners LLP. Solent Capital (Guernsey) Limited accepts responsibility solely for the information set out below which Solent Capital Partners LLP has not accepted responsibility for in accordance with the preceding sentence. None of the Issuer, the Trustee, the Arranger, the Swap Counterparty or any of the other Programme Parties has verified, or accepts any liability whatsoever for the accuracy of, such information and prospective investors should make their own independent investigations into Solent Capital (Guernsey) Limited and Solent Capital Partners LLP.

General

Certain management and administrative functions relating to the Reference Portfolio will be performed by the Portfolio Manager under the Portfolio Management Agreement (the form of which is set out in Annexes 4 and 5 to this Prospectus) and certain advisory functions in relation to the Reference Portfolio will be performed by the Portfolio Adviser under the Portfolio Advisory Agreement (as defined below). Pursuant to a portfolio advisory agreement dated on or about the Issue Date (the “**Portfolio Advisory Agreement**”), the Portfolio Manager has appointed the Portfolio Adviser to provide certain investment advisory services to it solely in connection with the management and administration of the Reference Portfolio and the Portfolio Adviser has agreed to perform such functions with reasonable care, in accordance with the terms of the Portfolio Advisory Agreement in a manner consistent with practices and procedures followed by prudent institutional investment advisors of international standing.

See the section headed “Conflicts of Interest” in the Risk Factors section of this Prospectus.

Solent Capital (Guernsey) Limited

Solent Capital (Guernsey) Limited (“**Solent Guernsey**”) is a limited liability company incorporated in Guernsey (registered no. 45033), having its registered office at Ogier House, St Julian’s Avenue, St Peter Port, Guernsey. Solent Guernsey is licensed and regulated by the Guernsey Financial Services Commission.

Solent Guernsey is managed and controlled from Guernsey and the directors of Solent Guernsey are David Miller, Simon Airey, Peter Farley, Roger Le Tissier and Chris Le Tissier. Solent Guernsey is administered by Ogier Fund Administration (Guernsey) Limited, of Ogier House, St Julian’s Avenue, St Peter Port, Guernsey.

Solent Capital Partners LLP

Solent Capital Partners LLP (“**Solent LLP**”) was formed as a limited liability partnership in England and Wales on 14 May 2003 and received approval from the United Kingdom Financial Services Authority on 12 September 2003. The principals of Solent LLP are Tim Gledhill, Jonathan Laredo and Geoff Smailes. Tim Gledhill has primary responsibility for risk management and quantitative research, Jonathan Laredo for structuring and credit research and Geoff Smailes for hedging and trading activities.

The primary business of Solent LLP includes providing advisory, portfolio monitoring and information services to investment managers, with the investment managers taking final responsibility for directing investment strategy and for deciding upon and executing transactions. Solent LLP also acts as hedge fund manager pursuant certain public hedge fund offerings.

Solent LLP's place of business is 30 Charles II Street, London SW1Y 4AE and its registered office is at The Courthouse, Erftstadt Court, Denmark Street, Wokingham, Berkshire RG40 2YF.

Solent LLP's advice on investment strategy focuses primarily on credit products – cash bonds, credit default and equity options and swaps, as well as asset-backed securities. The principals seek opportunities where credit assets are incorrectly valued relative to the cost of other hedging instruments, comparable assets or fundamental valuation. Solent LLP places a strong emphasis on disciplined risk management and has developed a proprietary risk system which uses a range of monitoring and analytical techniques in order to comply with pre-determined risk and volatility limits.

Funds under Management

As at 1 November, 2006, companies within the Solent group (collectively comprising Solent LLP, Solent Capital (Jersey) Limited ("**Solent Jersey**"), Solent Guernsey and all of their respective affiliates, and referred to herein as the "**Solent Group**") had total assets under management of approximately U.S.\$7.06 billion, of which approximately U.S.\$6.65 billion related to CDOs and approximately U.S.\$410 million related to hedge funds.

Principal Activities

Solent Guernsey has the mandate and expertise to manage synthetic CDOs secured on liquid credit default swaps ("**CDS**"), CDOs of asset-backed securities ("**ABS**") secured on ABS and CDOs secured on cash assets. Solent Jersey has several publicly distributed CDOs under management and Solent Guernsey is expected to have several publicly distributed CDOs under management within the next 12 months. Solent Guernsey's management style is a process-driven, top-down approach which relies on identifying key technical signals from market data which highlight increased credit risk or market value in the universe of available names.

Solent Guernsey also has a developing business which will manage structured investments to allow investors to invest in an underlying asset class or instrument on a principal-protected basis. In this case an independent third party investment bank will agree methodology, which is adjusted strategically, to alter exposure to the underlying asset class over time.

In carrying on certain activities described under this heading, Solent Guernsey will be advised by Solent LLP. Solent LLP carries out relevant background and data analysis in respect of the portfolios under management. Monitoring and analytical activities in respect of the portfolios are delegated to Solent LLP pursuant to an advisory agreement between Solent LLP and Solent Guernsey. Solent Guernsey will consider certain advice received from Solent LLP to assist Solent Guernsey in determining investment strategies with respect to portfolios that Solent Guernsey will directly manage. Solent LLP may also carry out certain calculations and/or determinations on behalf of Solent Guernsey or assist Solent Guernsey in the making of such calculations and/or determinations. Solent Guernsey will assume responsibility for determining transactions which are proposed to it by Solent LLP and must confirm and authorise final terms and will be responsible for execution of all transaction documents.

All material decisions in relation to ongoing portfolio management functions are considered and determined by Solent Guernsey pursuant to meetings held by the board of directors of Solent Guernsey or its appointed investment committee. Certain technical trades involving the substitution of reference entities which will improve or maintain the credit rating of the portfolio will be determined and undertaken by Solent LLP pursuant to specific authority given by Solent Guernsey at the inception of the Portfolio Advisory Agreement. These technical trades are communicated to Solent Guernsey subsequent to such activity. Technical trades which may

result in a loss (reduction in subordination) will require approval of Solent Guernsey prior to being undertaken.

For CDS and liquid corporate credit Solent LLP analyses and filters market data on over 1,300 corporate names with investment grade and crossover credit ratings. The data which is analysed includes CDS prices and the shape of CDS yield curves, equity prices and equity indices, balance sheets, equity volatility, short term liquidity ratios and other key ratios for specific industries, ratings and any watch lists from the agencies.

The data analysis gives rise to credit signals via Solent LLP's proprietary system "Sonar". If a negative signal on a reference entity within the CDO universe is triggered, the reasons for the signal being triggered are assessed and investigated for urgency and importance. The investigation involves discussions with analysts following the name or industry at the rating agencies, investment banks and independent research agencies. Solent LLP also conducts its own analysis of the sources and uses of funds for high risk companies to independently assess the possibility and probability of default.

The investment philosophy for large portfolios of liquid credits is to assess the portfolio with three objectives in descending order of importance:

- (a) to minimise default risk by substituting reference entities where it is perceived that the risks of default as indicated by its analysis are no longer acceptable;
- (b) to manage the portfolio so that over the life of the transaction the average ratings of the underlying assets perform better than an unmanaged pool of the same assets; and
- (c) to build subordination within the structure to the extent not inconsistent with the first two objectives.

Management of the portfolio involves a regular reassessment of the prevailing economic conditions and the likely effect on the assets within the portfolio. Similarly, both Sonar as well as ABS specific tools are utilised to analyse ongoing performance of individual assets and watch for early signs of underperformance. The intention is to find signs either which affect the stability or potential near term stability of specific asset classes or of manager style drift, in addition to monitoring deal performance versus peers or underperformance. If signals are noted before there is material underperformance in the pricing of the assets the manager will look to replace the assets with more stable qualifying assets.

The objective is to maximise rating stability for senior investors and cash returns for equity investors.

Systems

Solent LLP utilises a variety of interlinked credit, trading and risk management systems. Solent LLP's proprietary credit stress system, "Sonar", links a variety of credit stress indicators to a database of issuers, ratings and sector information. Solent LLP uses proprietary trading software which allows for real time views of CDS pricing, credit information and a growing database of ABS assets, by maturity, subordination and currency. This software is linked to internal analytical engines designed with a goal of allowing trading opportunities to be identified early.

For the CDO business each transaction is modelled separately, which allows for prompt analysis of both the performance of the portfolio in spread and rating terms and "what if" calculations for potential substitutions.

Key Personnel

Set forth below is information regarding the background, principal occupations and other affiliations during the past five years or more of certain individuals affiliated with the Solent Group, including those individuals associated with Solent Guernsey who will be primarily responsible for the performance of the functions of Solent Guernsey under the Portfolio Management Agreement and certain individuals associated with Solent LLP who will be primarily responsible for analytical and monitoring activities under the Portfolio Advisory Agreement. The duties of those individuals associated with Solent LLP include background and data analysis in respect of the Reference Entities in the Reference Portfolio, portfolio monitoring and the provision of advice in respect of investment strategies. Such persons may not continue to be so employed and/or available to Solent Guernsey for the entire term of the Portfolio Advisory Agreement. The duties of those individuals associated with Solent Guernsey include providing the portfolio management services and authority to execute certain trades and enter into transactions described herein on Solent Guernsey's behalf. See the sub-section headed "Issuer dependent upon the Portfolio Manager" in the Risk Factors section of this Prospectus.

Key Personnel of Solent Guernsey

Simon Airey

Simon trained as an accountant with Coopers & Lybrand, Jersey and in 1980 joined Citibank, N.A. (Jersey Branch) as Financial Controller. During his career at Citibank he worked in the corporate bank, the financial institutions group and then the specialist structuring team of Citibank Global Asset Management until September 1995 when he left the bank. He is a director of a number of companies in Jersey and elsewhere.

Peter George Farley

Peter is a Fellow of the Chartered Institute of Bankers and a member of the Society of Trust & Estate Practitioners with forty years experience in the offshore finance industry. Prior to retirement, he was Managing Director of Royal & Sun Alliance Trust (Jersey) Limited with his specialist knowledge being recognised collective investment schemes. Mr Farley commenced his career with Midland Bank Group (now HSBC) in 1962 and, as a senior official of Midland Bank Trust Corporation (Jersey) Limited, was responsible for the management of substantial funds worldwide. Mr Farley is a non-executive director of several companies and he is also a member of the Institute of Directors.

David Miller

David is a principal of Meteora Partners LLP, a limited liability partnership offering financial and compliance consultancy services to investment managers, and which he founded in October 2000. From 1987 to 2000, he was Group Finance Director of GAM where he had responsibility for all financial, compliance and taxation matters. Prior to that, he held a number of positions, both in industry and as a management consultant. He holds a B.Com (Hons) from Edinburgh University and is a member of the Institute of Chartered Accountants of Scotland and the Institute of Taxation in the U.K.

Roger Le Tissier

Roger qualified as an Advocate in Guernsey in 1987. He specialises in investment funds, structured finance and banking and advises leading fund managers and financial institutions. His funds work has included acting for the world's leading private equity secondaries funds and investment manager and also for the world's largest listed fund of hedge funds. He often works

with lawyers in the UK, Europe and the US; and has been involved in a number of funds listed in London, Amsterdam and the Channel Islands. He also has experience working at a leading financial institution and also the Guernsey Financial Services Commission. He speaks at a number of industry conferences around the world and is a regular contributor to industry publications. Roger is also a partner of the Ogier Group LP.

Chris Le Tissier

Chris has over 30 years' experience in the offshore finance industry and was previously a director at Havelet Fund International Managers.

Certain Key Personnel of Solent LLP

Tim Gledhill

Prior to founding Solent LLP in 2003, Tim founded Heronden Investments in June 2002. Prior to that, he co-managed the European Structured Credit Trading Group at Merrill Lynch which was responsible for trading all risks associated with CDOs, complex credit options, illiquid bonds and other credit structures. Between 1998 and 2001, he was a Managing Director at Rabobank with responsibility for interest rate, FX, commodity and equity derivative options trading. Before joining Rabobank, Tim was a Managing Director at UBS (London) and spent four years with Bankers Trust International (London and New York) in their Fixed Income and Foreign Exchange Options Division. He holds a Mathematics degree from Oxford University.

Jonathan Laredo

Prior to founding Solent LLP in 2003, Jonathan was responsible for JP Morgan's European and Asian Structured Finance business comprising ABS, CMBS, CDO and credit hybrids. Between 1997 and 2000 he was at Rabobank International where he became global head of the Capital Markets business. Between 1996 and 1997 Jonathan was head of European & Asian Structured Credit Products at Bear Stearns. He previously spent two years at UBS and five years at Bankers Trust International. Prior to that, he was at Aegis Group Plc as manager in charge of Corporate Finance and also at the Inland Revenue between 1981 and 1987. Jonathan holds a Philosophy and English Literature degree from Sussex University.

Geoff Smailes

Prior to founding Solent LLP in 2003, Geoff was a Managing Director and served on the management committee of CSFB Global Emerging Markets Group with direct responsibility for global risk allocation and strategy execution in the local markets and credit derivatives. Prior to working at CSFB, which he joined in 1996, Geoff was at Bankers Trust International in the Fixed Income and Currency Derivatives trading group. Geoff holds an Economics degree from Cambridge University.

Giles Godfrey

Giles joined Solent LLP in March 2004. Prior to this he worked as a trader with Abbey National Treasury Services on their U.S.\$2.5 billion High Yield portfolio and subsequently their Capital Markets desk where he was jointly responsible for a U.S.\$2 billion trading book.

In June 2002 he moved to Abbey National Financial Products successful credit derivatives team where he was responsible for trading bonds and credit derivatives in the Industrial, Utility and Energy Sectors in both Europe and the United States. He holds a degree in Biological Sciences from Bristol University.

Emilio Palomar Martin

Emilio started performing fundamental analysis and auditing the ongoing financial conditions of corporate entities 10 years ago when he was hired as an auditor assistant at Grant Thornton International. From 1997 until present Emilio was a member of asset management and research/analyst teams with various institutional asset managers (Bancaja and Legal & General and Solent). Emilio specializes in various sectors, namely Autos, Financials and Retail starting in 2002. Currently Emilio's primary responsibilities include heading the investment strategy committee and providing investment advice on a fundamental and relative value basis. Throughout the period from 2002 until 2006 Emilio has surpassed the performance of the iBoxx and iTraxx indices by an average of 1 per cent. per annum on the funds allocated to his speciality sectors which were approximately GBP 2.2 billion in size. Emilio often participates in sales meetings and presentations as support to the arranging bank that is co-ordinating marketing efforts. Emilio has direct interaction with most investors and credit agencies in the synthetic transactions of Solent LLP in respect of progressing and co-ordinating due diligence operations related to the transactions.

Jean-Philippe Dorp

Jean Philippe started his career as credit analyst for Société Générale Group where he was responsible for developing a scoring model during one year. On top of his credit research activity, Jean-Philippe was responsible for a new €150m securitization program (floor-plan), which was successfully implemented. In January 2000, Jean-Philippe joined HP International Bank in Paris and was responsible for the TMT sector covering the South of Europe Region (France, Italy, Spain and Portugal). At the time of the technology collapse in 2001, he was involved in managing distressed situations and negotiated with counterparties and shareholders special agreements. In early 2003, he moved to Dublin to take European responsibilities and focused his time in managing a U.S.\$3 billion loan portfolio of European and US corporates with analysts located in the relevant countries. In February 2005, Jean-Philippe moved to Dolmen Securities (Dublin) as a credit analyst/investment manager responsible for a CDO/CDS portfolio of investment grade and high-yield names. Jean-Philippe joined Solent LLP in March 2006. Jean-Philippe holds a master degree in Finance and is a CFA charter-holder.

Mark Aljian

At Bear Stearns Mark worked in corporate finance advisory, in New York and London. Mark's work focused on the TMT sector where Mark advised on a range of corporate activities. Mark also has experience in the Industrial, REGAL (Real Estate, Gaming and Lodging) and Financial Institutions sectors and has provided ongoing sectoral coverage of the TMT sector, particularly focused on global media companies and on children's entertainment companies.

At Solent LLP Mark covers the Media and Communications, Hotel and Leisure, and Homebuilding sectors, as well as selected additional names in other sectors. In addition to credit analysis, Mark maintains all of the proprietary modelling and other tools used to manage the synthetic CDO portfolios, run all the agency models for the synthetic portfolios, and manage Solent LLP's relationships with the rating agencies.

GENERAL INFORMATION

1. **Interests of Natural and Legal Persons Involved in the Issue**

Save as discussed in “Risk Factors – Conflicts of Interest” in the Base Prospectus and in this document, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue.

2. **Reasons for the Issue and Estimated Total Expenses for Admission to Trading**

Reasons for the Issue: The net proceeds of the issue of the Notes will be used by the Issuer on the Issue Date to satisfy its initial payment obligation under the Charged Agreement.

Estimated Total Expenses for Admission to Trading: EUR 11,250

3. **Yield**

Details of the interest payable under the Notes are set out in Paragraph 12 of “Conditions of the Notes” above.

4. **Resolutions, Authorisations and Approvals by virtue of which the Notes have been Issued**

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 11 December 2006.

5. **Cash Flow and Flow of Funds**

Payments received by the Issuer pursuant to the Charged Agreement are applied as follows:

- (A) the Buyer Initial Expense Amount (as defined in the Charged Agreement) will be credited to the Issuer General Expense Accounts of the Issuer held with JPMorgan Chase Bank, N.A. denominated in U.S. dollars, euro and pounds sterling respectively. Funds credited to the Issuer General Expense Accounts of the Issuer may be transferred to the Issuer Series Expense Accounts of the Issuer (if any);
- (B) any Buyer Additional Expense Amount (as defined in the Charged Agreement) will be credited to the Issuer Series Expense Accounts of the Issuer held with JPMorgan Chase Bank, N.A. denominated in U.S. dollars, euro and pounds sterling respectively;
- (C) any Buyer Further Expense Amount (as defined in the Charged Agreement) will be credited to the Issuer Expense Accounts of the Issuer held with JPMorgan Chase Bank, N.A. denominated in U.S. dollars, euro and pounds sterling respectively; and
- (D) each Buyer Payment Amount, the portion of the Final Payment due to the Noteholders, any Target Redemption Payment and the Redemption Coupon Payment (each as defined in the Charged Agreement) will be paid to the Issuer for payment to the Noteholders by the Principal Paying Agent in respect of amounts due in respect of the Notes.

Subject to Condition 10 of the Notes and Paragraph 5.11 of the schedule in respect of the Charged Agreement, the Charged Agreement has characteristics that demonstrate the capacity to produce funds to service any payments due and payable under the Notes.

6. **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the twelve months prior to the date hereof a significant effect on the Issuer's financial position or profitability in the context of the offering of the Notes.

7. **Post-Issuance Reporting**

The Issuer does not intend to provide post-issuance information. Clause 10 of the Master Portfolio Management Agreement (as set out in Annex 4 hereof) sets out the post-issuance reporting obligations of the Swap Counterparty and the Portfolio Manager.

ANNEX 1: FORM OF CREDIT DEFAULT SWAP CONFIRMATION

CREDIT SWAP CONFIRMATION

Date: 12 December 2006

To: XELO II Public Limited Company (the “**Issuer**”)

From: Barclays Bank PLC

Re: Credit Swap Transaction

The purpose of this communication, including the notional credit default swap confirmation attached as Schedule I (the “**Notional Swap Confirmation**”), including the relevant annexes thereto and any exhibits hereto (together this “**Credit Swap Confirmation**”) is to confirm the terms and conditions of the Credit Derivative Transaction entered into between the parties on the Trade Date specified below (the “**Transaction**”). This Credit Swap Confirmation constitutes a “Confirmation” as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions, as supplemented by (i) the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions and (ii) in respect of a Reference Entity the Transaction Type of which is specified as North American Monoline in the Reference Portfolio Annex, the “Additional Provisions for Physically Settled Default Swaps - Monoline Insurer as Reference Entity” published on 21 January 2005 (collectively, the “**Credit Derivatives Definitions**”), each as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”), are incorporated into this Credit Swap Confirmation, as amended herein. In the event of any inconsistency between the Credit Derivatives Definitions and this Credit Swap Confirmation, this Credit Swap Confirmation shall govern.

This Credit Swap Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement dated as of 12 December 2006, as amended and supplemented from time to time (the “**Agreement**”), entered into by the parties by their execution of the Constituting Instrument dated 12 December 2006 (the “**Constituting Instrument**”), by and among the persons thereto for purposes of constituting the Series 2006 (Spinnaker III – Europe TRED 2 Series 1) EUR 3,000,000 Secured Limited Recourse Credit-Linked Notes due 20 December 2016 (the “**Notes**”) of the Issuer under its US\$ 5,000,000,000 Programme for the issue of Notes and the making of Alternative Investments (the “**Programme**”). All provisions contained in the Agreement govern this Credit Swap Confirmation except as expressly modified below. All terms defined in the Agreement and not otherwise defined herein shall have the meanings assigned in the Agreement. References to “**Notes**”, a “**Condition**” in respect of the Notes and any other capitalised term that is used but not defined herein, in the Agreement or in the Credit Derivatives Definitions shall have the respective meanings ascribed thereto in the Constituting Instrument or the Portfolio Management Agreement (as defined below).

This Credit Swap Confirmation creates the payment obligations between the parties to this Credit Swap Confirmation as set out below. Certain amounts owed by Buyer to Seller under this Credit Swap Confirmation are determined by reference to the Notional Swap Confirmation which shall constitute a notional portfolio credit derivative transaction between Buyer as protection buyer and the Issuer as protection seller on the terms set out in the Notional Swap Confirmation respectively. For the avoidance of doubt, the Notional Swap Confirmation shall serve the purpose of determining certain amounts due under the Credit Swap Confirmation and shall not constitute

payment obligations of the relevant parties thereto in their own right. However, notice requirements concerning Credit Event Notices, Extension Notices or any other notice requirements as provided in the Notional Swap Confirmation shall apply in respect of the relevant parties to the Notional Swap Confirmation.

The terms of the Transaction to which this Credit Swap Confirmation relates are as follows:

1. **General Terms**

| | |
|---|--|
| Trade Date: | 17 November 2006 |
| Effective Date: | 12 December 2006 |
| Scheduled Termination Date: | 20 December 2016 |
| Termination Date: | The earlier of (a) the Target Redemption Date (as defined in the Conditions) and (b) the later of (i) the Termination Date of the Notional Swap Confirmation and (ii) the Scheduled Termination Date |
| Issue Price: | 100% |
| Notional Amount: | EUR 3,000,000 |
| Floating Rate Payer: | Issuer (" Seller ") |
| Fixed Rate Payer: | Barclays Bank PLC (" Buyer ") |
| Calculation Agent: | Barclays Bank PLC |
| Calculation Agent City: | London |
| Business Days: | London, New York and TARGET Settlement Days |
| Business Day Convention: | Following (which shall apply to any date referred to in this Credit Swap Confirmation that falls on a day that is not a Business Day) |
| Buyer Period End Dates: | 20 of each December, March, June, September, commencing on 20 December 2006 up to and including the Final Buyer Period End Date |
| Final Buyer Period End Date: | 20 December 2009 |
| Buyer Additional Expense Payment Dates: | 20 December of each year, commencing on 20 December 2007 up to and including 20 December 2015. |
| Portfolio Management Fee Payment Dates: | 20 of each December, March, June, September, commencing on 20 December 2006 up to and including the earlier of (i) the Termination Date and (ii) the Scheduled Termination Date |
| Spread: | 4.35% |

| | |
|--|--|
| Participation Percentage: | 120% |
| Trading Account Balance Interest Rate: | On any day, the overnight rate, as calculated by the European Central Bank and appearing on the Telerate Page 247 (or any successor or replacement of such page) in respect of that day. If such rate is not available on Telerate Page 247 (or any successor or replacement page) the Calculation Agent shall determine the rate in its sole and absolute discretion and in a commercially reasonable manner. |
| Portfolio Manager: | Solent Capital (Guernsey) Limited |
| Portfolio Management Agreement: | The portfolio management agreement entered into in respect of the Notes on or prior to the Issue Date between, <i>inter alios</i> , the Issuer, the Portfolio Manager and the Buyer and comprising the Master Portfolio Management Agreement as amended and supplemented by the Portfolio Management Confirmation dated the Issue Date of the Notes |
| Master Portfolio Management Agreement: | The master portfolio management agreement entered into, <i>inter alios</i> , between ARLO Limited, the Portfolio Manager and the Buyer on 21 November 2006 and to which the Issuer acceded on 12 December 2006 |
| Portfolio Management Confirmation: | The portfolio management confirmation amending and supplementing the Master Portfolio Management Agreement in connection with this Credit Swap Confirmation and the Notes, entered into between the Issuer, the Portfolio Manager and the Buyer on or about the Issue Date of the Notes |
| Trading Account: | A notional account established by Buyer to which and from which Trading Gains and/or Trading Losses in respect of Replacements in the Reference Portfolio, in respect of which the Portfolio Manager has elected that Trading Account Adjustment shall apply, shall be credited and/or debited in accordance with the provisions of this Credit Swap Confirmation and/or the Portfolio Management Agreement, as the case may be, including interest which shall accrue on a daily basis on the relevant daily closing Trading Account Balance at the Trading Account Balance Interest Rate |
| Trading Account Balance: | On any day, an amount in the Settlement Currency (subject to a minimum of zero), determined by Buyer as the sum of: <ul style="list-style-type: none"> (i) the Initial Trading Account Balance; <i>plus</i> (ii) Trading Account Interest in respect of each day up to and including such day; <i>plus</i> |

- (iii) with respect to any Replacements with respect to the Reference Portfolio in relation to which the Portfolio Manager has elected that Trading Account Adjustment shall apply and, in each case, effective on or prior to such day, an amount equal to the relevant Trading Gains; *less*
- (iv) with respect to any Replacements with respect to the Reference Portfolio in relation to which the Portfolio Manager has elected that Trading Account Adjustment shall apply and, in each case, effective on or prior to such day, an amount equal to the relevant Trading Losses; *less*
- (v) if some but not all of the Notes are redeemed or purchased and cancelled prior to the Scheduled Termination Date, an amount equal to the product of (i) the Trading Account Balance immediately prior to the redemption of such Notes and (ii) the principal amount outstanding of the Notes so redeemed expressed as a percentage of all Notes outstanding, in each case, immediately prior to the relevant redemption.

Initial Trading Account Balance: 0.5% of the Notional Amount

Trading Account Interest: On any day, an amount determined by the Calculation Agent to be equal to the product of the following:

- (i) the Trading Account Balance Interest Rate;
- (ii) the closing Trading Account Balance on such day; and
- (iii) 1/360

Buyer Initial Expense Amount: The sum of USD 3,750.00 and EUR 12,400.00.

Buyer Additional Expense Amount: The sum of USD 2,250.00 and EUR 1,000.00, however, to the extent that the Issuer incurs expenses in connection with the Notes, for whatever reason, the Buyer Additional Expense Amount will be the sum of USD 2,250.00 and EUR 2,300.00.

Buyer Further Expense Amount: EUR 42,150.00 unless otherwise paid by Buyer under any other Series or Class of Notes of Seller as determined in the sole discretion of Buyer. Any Buyer Further Expense Amount will be applied exclusively by Seller to fund (A) fees, expenses or costs incurred by the administrator in relation to Seller, (B) annual return and filing fees or any other similar fees imposed in the Republic of Ireland in respect of Seller, (C) any costs or fees incurred to maintain the listing of the Programme on the Irish Stock Exchange, (D) any fees payable to auditors of Seller; and (E) any amounts payable by Seller

to its directors or the share trustee.

Buyer Further Expense Payment 20 January of each year from and including 20 January
Dates: 2014 up to and including 20 January 2016.

2. Buyer Payments

It is a condition precedent to Buyer's obligations to make the payments under this Section 2 that Seller has paid the Initial Exchange Amount to the Buyer on the Initial Exchange Date. For the avoidance of doubt, no Fixed Amounts shall be payable by Buyer under this Credit Swap Confirmation.

Initial Payment: On the Effective Date, Buyer will pay to Seller, the Buyer Initial Expense Amount to be credited to the relevant Issuer General Expense Account(s).

Periodic Payments:

- (i) with respect to each Buyer Calculation Period, Buyer shall pay to Seller on the related Buyer Payment Date the Buyer Payment Amount for such Buyer Calculation Period;
- (ii) Buyer shall pay to Seller on each Buyer Additional Expense Payment Date the Buyer Additional Expense Amount for credit to the relevant Issuer Series Expense Account(s);
- (iii) Buyer shall pay to Seller on each Buyer Further Expense Payment Date, the Buyer Further Expense Amount for credit to the relevant Issuer Expense Account(s); and
- (iv) with respect to each Portfolio Management Fee Calculation Period, one Business Day prior to the relevant Portfolio Management Fee Payment Date, Buyer shall pay to Seller an amount equal to the Portfolio Management Fee in respect of such Portfolio Management Fee Calculation Period

Buyer Payment Date: One Business Day prior to each Buyer Period End Date

Buyer Calculation Period: Each period from (and including) a Buyer Payment Date (or, in the case of the first Buyer Calculation Period, the Effective Date) to (but excluding) the next (or, in the case of the first Buyer Calculation Period, the first) Buyer Payment Date

Buyer Payment Amount: With respect to each Buyer Calculation Period, an amount determined by the Calculation Agent equal to the sum of the product of the following for each day in such Buyer Calculation Period:

- (i) the Spread
- (ii) the Notional Amount; and
- (iii) 1/360

Portfolio Management Fee: With respect to each Portfolio Management Fee Calculation Period, the Management Fee (as defined in the Portfolio Management Confirmation) in respect of such Portfolio Management Fee Calculation Period

Portfolio Management Fee Calculation Period: Each period from, and including, one Portfolio Management Fee Payment Date to, but excluding, the next following Portfolio Management Fee Payment Date, except that (a) the initial Portfolio Management Fee Calculation Period will commence on, and include, the Effective Date, and (b) the final Portfolio Management Fee Calculation Period will end on, and include the earliest of (i) the Early Termination Date, (ii) the Target Redemption Event Date (as defined in the Conditions) (iii) the Scheduled Termination Date and (iv) the Termination Date.

Target Redemption Payment: On the day falling one Business Day prior to the Target Redemption Date (as defined in the Conditions), Buyer shall pay an amount equal to the Realised Redemption Amount (as defined in the Conditions) to Seller

Redemption Coupon Payment: Provided a Target Redemption Trigger Event has not occurred prior to the Scheduled Termination Date, Buyer shall pay to Seller an amount equal to the sum of:

- (i) on the Scheduled Termination Date (or, if such date is not a Business Day, on the following Business Day), an amount equal to the product of (a) the Participation Percentage and (b) the Adjusted Notional Amount as of the Scheduled Termination Date (after giving effect to any adjustment thereto in connection with any effective Extension Notice under the Notional Swap Confirmation); and
- (ii) if there is a Deferred Settlement Date, on such date, the product of (a) the Participation Percentage and (b) the Adjusted Notional Amount as of the Deferred Settlement Date, if any, plus interest from (and including) the Scheduled Termination Date to (but excluding) the Deferred Settlement Date, in an amount determined by the Calculation Agent to be equal to the sum of the product of the following for each day in such period:

- (A) Buyer's overnight deposit rate for deposits in the Settlement Currency in the amount of the Adjusted Notional Amount;
- (B) the Adjusted Notional Amount on the Deferred Settlement Date; and
- (C) 1/360

If the payment of the Adjusted Notional Amount (as provided in (i) above) is postponed solely due to such date not being a Business Day, interest from (and including) the Scheduled Termination Date to (but excluding) the following Business Day shall be paid by Buyer to Seller on such following Business Day in an amount determined by the Calculation Agent to be equal to the sum of the product of the following for each day in such period:

- (i) Buyer's overnight deposit rate for deposits in the Settlement Currency in the amount of the Adjusted Notional Amount;
- (ii) the Adjusted Notional Amount for such Scheduled Termination Date; and
- (iii) 1/360.

Final Payment:

Subject to Section 5 of this Credit Swap Confirmation and provided a Target Redemption Trigger Event has not occurred prior to the Scheduled Termination Date, Buyer shall pay to Seller:

- (i) on the Scheduled Termination Date (or, if such date is not a Business Day, on the following Business Day), an amount equal to the Final Redemption Amount; and
- (ii) on the Termination Date, the Trading Account Balance as of such day.

If the payment of the Final Redemption Amount (as provided in (i) above) is postponed solely due to such date not being a Business Day, interest from (and including) the Scheduled Termination Date to (but excluding) the following Business Day shall be paid by Buyer to Seller on such following Business Day in an amount determined by the Calculation Agent to be equal to the sum of the product of the following for each day in such period:

- (i) Buyer's overnight deposit rate for deposits in the Settlement Currency in the amount of the Final

Redemption Amount;

- (ii) the Final Redemption Amount for such day; and
- (iii) 1/360.

Adjusted Notional Amount: The Adjusted Notional Amount as determined in accordance with the Notional Swap Confirmation

Final Redemption Amount: An amount equal to the Notional Amount

3. Seller Payments

Initial Payment:

Initial Exchange: Seller shall pay to Buyer the Initial Exchange Amount on the Initial Exchange Date

Initial Exchange Amount: An amount equal to (i) the product of the Notional Amount and the Issue Price less (ii) any Arranger's fee

Initial Exchange Date: Effective Date

Clean-Up Payment: On the Effective Date, an amount equal to Buyer Initial Expense Amount will become due from Seller to Buyer. On each Buyer Additional Expense Payment Date, an amount equal to the Buyer Additional Expense Amount in respect of such date (if any) will become due from Seller to Buyer. On each date, an amount equal to the interest, if any, in respect of such date accrued in the Issuer Series Expense Account(s) in respect of the Notes will become due from Seller to Buyer. Unless otherwise directed by Buyer to pay a lesser amount, Seller shall pay the aggregate of such amounts together with all other amounts, if any, standing to the credit of the Issuer Series Expense Account(s) in respect of the Notes, to the extent of funds available in such account(s) to pay such amounts (the "**Clean-Up Payment**") on the Termination Date or, if earlier, on the day on which the Notes are redeemed. In the event that an Early Termination Date is designated or deemed to occur, for purposes of determining the Settlement Amount or Unpaid Amounts in respect of the Transaction evidenced by this Confirmation, the amount payable by Seller under this paragraph and any Buyer Additional Expense Amounts shall be deemed to be zero, but for purposes of Section 6 of the Agreement, Seller shall be separately obligated to pay to Buyer the Clean-Up Payment on the earliest date that the other payments are due under Section 6 of the Agreement.

4. Additional Provisions

Buyer shall make the Final Payment required under clause (i) of the definition thereof on the Scheduled Termination Date if and only if Seller transfers (or causes to be transferred) to Buyer, under the Credit Support Annex, Equivalent Credit Support with respect to all items comprising the Credit Support Balance on a delivery versus payment basis.

For the purposes of the foregoing, each of "Equivalent Credit Support", "Credit Support Balance" and "Value" shall have the meaning given to it in the Credit Support Annex.

Buyer shall notify the Principal Paying Agent and the Paying Agents of each Cash Settlement Amount determined in respect of the Notional Swap Transaction, the Redemption Coupon Payment and the Final Payment due to be paid by Buyer to Seller. Notices relating to such amounts are subject to the requirements regarding notices set forth in Section 1.10 unless otherwise specifically provided herein, *provided* that the delivery of or failure to deliver any such copy to the Principal Paying Agent or any of the Paying Agents will not affect the effectiveness of such notice.

5. Amendments to Credit Derivatives Definitions

All Sections of the Credit Derivatives Definitions save for Sections 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.14, 1.15, 1.16, 1.17, 1.19, 1.20, 1.21, 2.6, 2.11 and 2.12 of the Credit Derivatives Definitions shall be deleted for the purposes of sections 1 to 7 of this Credit Swap Confirmation. For the avoidance of doubt, this shall not apply in respect of the Notional Swap Confirmation and the Credit Derivatives Definitions shall apply to the Notional Swap Confirmation as amended therein.

6. Notice and Account Details

As per Exhibit A hereto.

Please confirm your agreement to be bound by the terms of the foregoing by executing a copy of this Credit Swap Confirmation and returning it to us.

Yours sincerely,
BARCLAYS BANK PLC

By:
Name:
Title:

Confirmed on the date
first above written:
XELO II PUBLIC LIMITED COMPANY

By:
Name:
Title:

SCHEDULE 1: FORM OF NOTIONAL SWAP CONFIRMATION

To: XELO II PUBLIC LIMITED COMPANY (the “**Issuer**”)

From: Barclays Bank PLC

Re: Tranched Portfolio Credit Swap Transaction

The purpose of this communication, including (i) the reference portfolio annex attached as Annex I (the “**Reference Portfolio Annex**”), (ii) the transaction type annex attached as Annex II (the “**Transaction Type Annex**”) and (iii) the Russian corporate annex attached as Annex III (the “**Russian Corporate Annex**”) which shall apply in respect of all Reference Entities the Transaction Type of which is specified as Russian Corporate in the Reference Portfolio Annex) (together, this “**Notional Swap Confirmation**”), is to confirm the terms and conditions of the Credit Derivative Transaction notionally agreed between the parties on the Trade Date specified below (the “**Notional Swap Transaction**” or the “**Transaction**”). This Notional Swap Confirmation constitutes a “Confirmation” as referred to in the Agreement.

This Notional Swap Confirmation relates to a portfolio of Reference Entities (the “**Reference Portfolio**”). The Settlement Terms shall apply to each Reference Entity following a Credit Event. Accordingly, there may be multiple Cash Settlement Dates and multiple adjustments of the Adjusted Notional Amount under this Notional Swap Confirmation. The Credit Derivatives Definitions (particularly, the definition of Termination Date) shall be read and construed so as to permit the foregoing.

The terms of this Transaction to which this Notional Swap Confirmation relates are as follows:

PART I

| | |
|-------------------------------|--|
| Trade Date: | The Trade Date of the Credit Swap Confirmation |
| Effective Date: | The Effective Date of the Credit Swap Confirmation |
| Scheduled Termination Date: | The Scheduled Termination Date of the Credit Swap Confirmation |
| Initial Notional Amount: | EUR 3,000,000 |
| Attachment Point: | 2% |
| Detachment Point: | 4% |
| Number of Reference Entities: | 100 |

PART II

1. **General Terms** For the avoidance of doubt, Article V and section 7.1 of the Credit Derivatives Definitions shall not apply and no Fixed Amounts or Cash Settlement Amounts shall be payable by Buyer under this Notional Swap Confirmation. The purpose of this Notional Swap Confirmation is to determine the Redemption Coupon Payment as referred to under Section 2 of the Credit Swap Confirmation.

Termination Date: The earlier of (i) the Cash Settlement Date on which the Adjusted Notional Amount is irrevocably determined to be zero

and (ii) the later of (a) the Scheduled Termination Date and (b) the Deferred Settlement Date

| | |
|--------------------------|---|
| Floating Rate Payer: | Issuer (“ Seller ”) |
| Fixed Rate Payer: | Barclays Bank PLC (“ Buyer ”) |
| Calculation Agent: | Barclays Bank PLC |
| Calculation Agent City: | London, except that New York will be the Calculation Agent City in respect of a Reference Entity the Transaction Type of which is specified as North American IG, North American HY or North American Monoline in the Reference Portfolio Annex |
| Business Days: | London, New York and TARGET Settlement Days |
| Business Day Convention: | Following (which, subject to Sections 1.4 and 1.6 of the Credit Derivatives Definitions, shall apply to any date referred to in this Notional Swap Confirmation that falls on a day that is not a Business Day) |
| Reference Entities: | Each entity specified as a “Reference Entity” in the Reference Portfolio Annex, as amended from time to time in accordance with Section 4(B) of this Notional Swap Confirmation and subject to Replacements in accordance with the Portfolio Management Agreement |
| Transaction Type: | <p>In respect of a Reference Entity, the type of transaction specified in the Reference Portfolio Annex in respect of such Reference Entity or as specified in respect of a Replacement Entity in accordance with the Portfolio Management Agreement. Buyer shall determine the Transaction Type of any Successor or Replacement Entity in its sole and absolute discretion</p> <p>Any Transaction Type that is not referenced in the Reference Portfolio Annex (as amended from time to time) shall have no force and effect notwithstanding its reference in the Transaction Type Annex</p> |
| Reference Obligations: | In respect of a Reference Entity, (a) each reference to “Reference Obligation” in Section 2 of this Notional Swap Confirmation and Article VII of the Credit Derivatives Definitions shall mean an obligation of the relevant Reference Entity selected by Buyer and satisfying the definition of Deliverable Obligation in accordance with Section 2.15 of the Credit Derivatives Definitions, for which purpose the Deliverable Obligation Category and Deliverable Obligation Characteristics specified below shall apply; and (b) each other reference to “Reference Obligation” (including the reference appearing in Section 2.15(b) of the Credit Derivatives Definitions) shall mean the relevant Specified Reference Obligation, if any. |

Buyer may, in its sole discretion, select the Reference Obligation in respect of a Reference Entity at any time on or before the Valuation Date for such Reference Entity and, upon such selection, shall deliver a notice (which may be oral, including by telephone) specifying such Reference Obligation to Seller; provided that failure to deliver such notice shall not affect the effectiveness of such selection. For the avoidance of doubt, subject to Sections 2.32(a) and 2.33(a) of the Credit Derivatives Definitions, Buyer may in accordance with the foregoing select the Specified Reference Obligation with respect to a Reference Entity (if any) as the Reference Obligation for the purposes of paragraph (a) above

Deliverable Obligations:

Deliverable Obligation Category: In respect of a Reference Entity, as set forth in respect of the applicable Transaction Type in the Transaction Type Annex or as specified in respect of a Replacement Entity in accordance with the Portfolio Management Agreement, as the case may be

Deliverable Obligation Characteristics: In respect of a Reference Entity, as set forth in respect of the applicable Transaction Type in the Transaction Type Annex or as specified in respect of a Replacement Entity in accordance with the Portfolio Management Agreement, as the case may be

Specified Reference Obligation: In respect of a Reference Entity, the "Specified Reference Obligation" specified in respect of such Reference Entity in the Reference Portfolio Annex or as determined in accordance with the Portfolio Management Agreement in respect of a Replacement Entity, as the case may be

Reference Price: With respect to each Reference Entity, 100%

All Guarantees: In respect of a Reference Entity, as specified in respect of the Transaction Type applicable to such Reference Entity in the Transaction Type Schedule or as specified in respect of a Replacement Entity in accordance with the Portfolio Management Agreement, as the case may be

Initial Reference Portfolio Notional Amount: The Initial Notional Amount *divided by* the Thickness

Thickness: An amount equal to the Detachment Point *minus* the Attachment Point

Reference Entity Notional Amount: In respect of a Reference Entity, as of the Effective Date the Initial Reference Portfolio Notional Amount *divided by* the Number of Reference Entities, and after the Effective Date subject to adjustment as provided in Section 2.2 of the Credit Derivatives Definitions, as modified by Section 6 of this Notional Swap Confirmation and subject to adjustment in accordance with the Portfolio Management Agreement

Adjusted Notional Amount:

On any day, an amount in the Settlement Currency (subject to a minimum of zero and a maximum of the Initial Notional Amount), determined by the Calculation Agent as follows:

(i) the Initial Notional Amount;

minus

(ii) the greater of (a) the Loss Amount *minus* the Adjusted Subordination Amount and (b) zero,

provided that if a Deferred Settlement Date occurs, then for purposes of determining the Adjusted Notional Amount as of such Deferred Settlement Date, the Adjusted Notional Amount shall be reduced on the Scheduled Termination Date by the amount referred to under (i)(b) of "Redemption Coupon Payment" in Section 2 (*Buyer Payments*) of the Credit Swap Confirmation.

Loss Amount:

On any day, the sum of:

(i) with respect to all Reference Entities as to which an Event Determination Date has occurred on or prior to such day, but the related Cash Settlement Date has not occurred on or prior to such day, the aggregate of the Reference Entity Notional Amounts for such Reference Entities; *plus*

(ii) with respect to all Reference Entities the Cash Settlement Date for which has occurred on or prior to such day, the aggregate of the Cash Settlement Amounts for such Reference Entities; *plus*

(iii) with respect to all Reference Entities which have been specified in an Extension Notice that is effective on or prior to such day, the aggregate of the Reference Entity Notional Amounts for such Reference Entities (to the extent not already taken into account under (i) above); *minus*

(iv) if such day occurs after the Extension Date, with respect to all Reference Entities specified in an Extension Notice but with respect to which an Event Determination Date did not occur on or prior to the Extension Date, the aggregate of the Reference Entity Notional Amounts for such Reference Entities

Adjusted Subordination Amount:

On any day, an amount in the Settlement Currency (subject to a minimum of zero), determined by the Calculation Agent as follows:

(i) the Initial Subordination Amount;

plus

- (ii) an amount equal to the sum of all Trading Gains in respect of all Replacements in respect of the Reference Portfolio for which the Replacement Dates occurred on or prior to such day and in relation to which the Portfolio Manager has elected that Subordination Adjustment shall apply in accordance with the Portfolio Management Agreement;

less

- (iii) an amount equal to the sum of all Trading Losses in respect of all Replacements in respect of the Reference Portfolio for which the Replacement Dates occurred on or prior to such day and in relation to which the Portfolio Manager has elected that Subordination Adjustment shall apply in accordance with the Portfolio Management Agreement

Initial Subordination Amount

The Initial Reference Portfolio Notional Amount *multiplied* by the Attachment Point

2. Settlement Terms

Floating Rate Payer Calculation Amount:

In respect of a Reference Entity, the Reference Entity Notional Amount for such Reference Entity

Conditions to Settlement:

Credit Event Notice

Notifying Party: Buyer

Notice of Publicly Available Information: Applicable

Specified Number: Two

Credit Events:

In respect of a Reference Entity, as set forth in respect of the applicable Transaction Type in the Transaction Type Annex or as specified in respect of a Replacement Entity in accordance with the Portfolio Management Agreement

Grace Period Extension:

In respect of a Reference Entity, as set forth in respect of the applicable Transaction Type in the Transaction Type Annex or as specified in respect of a Replacement Entity in accordance with the Portfolio Management Agreement

Obligations:

Obligation Category:

In respect of a Reference Entity, as set forth in respect of the applicable Transaction Type in the Transaction Type Annex or as specified in respect of a Replacement Entity in accordance with the Portfolio Management Agreement

| | |
|---|--|
| Obligation Characteristics: | In respect of a Reference Entity, as set forth in respect of the applicable Transaction Type in the Transaction Type Annex or as specified in respect of a Replacement Entity in accordance with the Portfolio Management Agreement |
| Excluded Obligations: | None |
| Settlement Method: | Cash Settlement; <i>provided, however</i> , that Section 7.1 of the Credit Derivatives Definitions shall not apply and, in lieu of the payment of any Cash Settlement Amount, the Loss Amount and the Adjusted Notional Amount shall be determined or adjusted in accordance with the respective definitions thereof |
| <u>Terms relating to Cash Settlement:</u> | |
| Cash Settlement Amount: | In respect of each Reference Entity, the greater of (i)(a) the Floating Rate Payer Calculation Amount of such Reference Entity <i>multiplied by</i> (b) the Reference Price <i>minus</i> the Final Price for such Reference Entity and (ii) zero |
| Cash Settlement Date: | In respect of a Reference Entity, the date upon which the Cash Settlement Amount in respect of such Reference Entity is determined |
| Valuation Date: | Single Valuation Date. The Valuation Date shall be a Business Day selected by Buyer that falls on or after the Event Determination Date |
| Valuation Time: | A time specified by the Calculation Agent as close as reasonably practicable to 11:00 a.m. in the relevant Calculation Agent City unless the Calculation Agent determines the principal market for transactions in the relevant Reference Obligation is closed at such time, in which case the Valuation Time shall be such other time selected by the Calculation Agent |
| Quotation Method: | Bid |
| Quotation Amount: | In respect of a Reference Obligation, an amount which is a multiple of 1,000,000 (or, if Japanese Yen, 100,000,000) in the Obligation Currency of such Reference Obligation specified by the Calculation Agent not in excess of the lesser of (i) €20,000,000 and (ii) the Floating Rate Payer Calculation Amount applicable to such Reference Obligation, but in no case less than 1,000,000 units (or, if Japanese Yen, 100,000,000 units) of the Settlement Currency (or if such Reference Obligation is not denominated in € in the case of (i) above or the Settlement Currency in the case of (ii) above, the equivalent of such amount in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained) |

Dealers: Dealers, financial institutions or funds that deal or invest in obligations (or counterparties to credit derivative transactions with Buyer in respect of obligations) of the type for which Quotations are to be obtained, as selected by and inclusive of Buyer. Any bid quotation provided by Buyer shall be deemed to be a firm quotation

Settlement Currency: Currency in which the Initial Notional Amount is denominated

Valuation Method: Highest

3. **Additional Definitions**

“Deferred Settlement Date” means, if, in respect of this Notional Swap Confirmation, (i) an Extension Notice is effective or (ii) an Event Determination Date has occurred before the Scheduled Termination Date but the related Cash Settlement Date has not occurred before the Scheduled Termination Date, three Business Days after the last to occur of (a) the Extension Date (if applicable) and (b) the last occurring Cash Settlement Date in respect of all Reference Entities.

“Extension Date” means, if an Extension Notice is effective in respect of this Notional Swap Confirmation on or prior to the Scheduled Termination Date, the last day of the latest ending Notice Delivery Period in respect of each Reference Entity specified in such Extension Notice.

“Extension Notice” means an irrevocable notice (which may be oral, including by telephone) from Buyer to Seller that is effective on or before the Scheduled Termination Date and that specifies one or more Reference Entities in respect of which Buyer in its sole discretion has determined that a Credit Event, Potential Failure to Pay or Potential Repudiation/Moratorium has or may have occurred. An Extension Notice is effective when given (and, if given by telephone, will be deemed to be given at the time the telephone conversation commences). A notice given after 4:00 p.m. New York City time on a Business Day will be deemed given on the next Business Day.

4. **Additional Provisions**

(A) In the absence of manifest error, Buyer’s books and records recording the References Entities and the Specified Reference Obligations referenced hereunder from time to time shall govern in the event of any dispute with respect to the name or identity of any such Reference Entity.

(B) The Reference Portfolio Annex will be deemed amended from time to time to reflect the occurrence of any modifications required under Sections 2.2 and 2.30 of the Credit Derivatives Definitions (as amended by this Notional Swap Confirmation). The Calculation Agent shall specify all relevant details in respect of any Successor in the Reference Portfolio Annex and deliver to Buyer and Seller, within such period as it regards as reasonably practical under the circumstances prevailing, copies of the Reference Portfolio Annex as so amended; provided that failure to so deliver shall not affect the effectiveness of the operation of Sections 2.2 or 2.30 of the Credit Derivatives Definitions or the related amendment to the Reference Portfolio Annex. The Calculation Agent shall deliver to Buyer and Seller a notice specifying each Final Price determined under this Notional Swap Confirmation.

5. **Amendments to Credit Derivatives Definitions**

The Credit Derivatives Definitions are amended as follows:

(A) Section 1.7 shall not apply.

- (B) The final sentence of Section 1.11 shall be deleted.
- (C) The pre-penultimate and penultimate sentences of Section 1.14 is hereby replaced with the following: “Whenever the Calculation Agent is required to act or to exercise judgment, it will do so in good faith in its sole and absolute discretion, effective as of such determination, and shall be conclusive absent manifest error. The Calculation Agent shall inform the Seller as soon as reasonably practicable following the determination of a new Adjusted Notional Amount or the Cash Settlement Amount in respect of any Reference Entity.”
- (D) The following provisions of Section 2.2 are amended as follows:
- (1) Section 2.2(a) is amended by deleting the words “for the entire Credit Derivative Transaction” from Sections 2.2(a)(i) and (ii) and replacing them with the words “in respect of such Reference Entity”; and by deleting the words “for a New Credit Derivative Transaction” from Sections 2.2(a)(iii) and (iv).
 - (2) Section 2.2(d)(i) of the Credit Derivatives Definitions is amended by replacing “a Credit Derivative Transaction” with “a Reference Entity”; and the last line of Section 2.2(d) is amended by replacing “each relevant Credit Derivative Transaction” with “each relevant Reference Entity”.
 - (3) Section 2.2(e) is deleted and replaced in its entirety by the following:

“Where, pursuant to Section 2.2(a), one or more Successors have been identified in respect of a Reference Entity that has been subject to the relevant Succession Event (the “**Affected Entity**”), (i) the Affected Entity will no longer be a Reference Entity for purposes of the Transaction (unless it is a Successor as described in Section 2.2(e)(ii)), (ii) each Successor will be deemed a Reference Entity for purposes of the Transaction, (iii) the Reference Entity Notional Amount for each such Successor will equal the Reference Entity Notional Amount of the Affected Entity immediately prior to the application of Section 2.2 *divided by* the number of Successors and (iv) the Calculation Agent may make any modifications to the terms of the Credit Derivative Transaction required to preserve the economic effects of the Credit Derivative Transaction prior to the Succession Event (considered in the aggregate).”

Subject to the next paragraph, if a Successor is already a Reference Entity at the time Section 2.2 is applied (and is not itself the Affected Entity), the Reference Entity Notional Amount with respect to such Reference Entity shall be equal to the sum of (a) the Reference Entity Notional Amount in respect of the Reference Entity immediately prior to the application of Section 2.2 and (b) the Reference Entity Notional Amount in respect of such Reference Entity as a result of the application of Section 2.2(e)(iii) (as amended hereby).

If a Successor is already a Reference Entity at the time Section 2.2 is applied and, as a result of the relevant Succession Event, such Reference Entity would have more than one Reference Obligation, (a) the immediately preceding paragraph shall not apply, (b) there shall be deemed to be a separate Reference Entity hereunder associated with each such Reference Obligation, (c) the Reference Entity Notional Amount of the Reference Entity that was already a Reference Entity immediately prior to the application of Section 2.2 shall equal the Reference Entity Notional Amount in respect of such Reference Entity immediately prior to such application, (d) the Reference Entity Notional Amount of the Successor determined by application of Section 2.2 shall equal the amount determined by application of Section 2.2(e)(iii) (as amended hereby) and (e) the Conditions to Settlement

may be satisfied, and settlement with respect thereto may occur, separately for each such Reference Entity.

- (E) Section 2.15 is amended by deleting the words “outstanding principal balance or Due and Payable Amount being Delivered” in Section 2.15(a) and Section 2.15(c) and replacing them with the words “Quotation Amount.”
- (F) Section 2.19(b)(i)(A) shall be amended by the insertion of: (A) the words “of the relevant Reference Entity” immediately after the words “most senior Reference Obligation” in the second line thereof; (B) the words “with respect to such Reference Entity” immediately after the words “Reference Obligation is specified” in the third line thereof; and (C) the word “relevant” immediately before the words “Reference Entity” in the fifth line thereof.
- (G) The following new paragraphs shall be deemed to be added after the last paragraph of Section 2.20(b):

“Notwithstanding anything to the contrary, if an obligation of a Reference Entity would have been capable of being specified as a Reference Obligation immediately prior to the occurrence of a Credit Event with respect to such Reference Entity, such obligation shall continue to be capable of being specified as a Reference Obligation after the occurrence of such Credit Event. If it is not possible or reasonably practicable to specify any obligation as a Reference Obligation of a Reference Entity because there is or will be no obligation in existence as at the Valuation Date that falls within the definition of “Reference Obligation”, Buyer may, notwithstanding Section 2.30 of the Credit Derivatives Definitions, designate by notice in writing to Seller and the Calculation Agent one or more bonds, loans, instruments, certificates or obligations (an “**Exchanged Obligation**”) which have been or will be issued in exchange, whether pursuant to a mandatory or voluntary exchange (an “**Obligation Exchange**”), for one or more obligations of the Reference Entity that would have been capable of being specified as a Reference Obligation immediately prior to the occurrence of the relevant Credit Event as a Reference Obligation of the Reference Entity, provided that failure to deliver such notice shall not affect the effectiveness of such designation and provided, further, that if the Calculation Agent acting in a commercially reasonable manner determines that any bond or loan of a Reference Entity that would have been capable of being specified as a Reference Obligation immediately prior to the occurrence of the relevant Credit Event as a Reference Obligation of such Reference Entity is to be exchanged or converted into a form other than a bond or loan prior to the relevant Valuation Date, the Calculation Agent shall use commercially reasonable efforts to designate a Valuation Date so as to at all times value a bond or loan.”
- (H) Section 2.31 is deleted.
- (I) Section 2.32(a) and 2.33(a) shall be amended as follows:
 - (1) any reference to “Physical Settlement” shall be deemed to be a reference to “Cash Settlement”; and
 - (2) the words “then a Deliverable Obligation may be specified (or deemed specified pursuant to Section 9.10) in the Notice of Physical Settlement” appearing in the fourth and fifth lines thereof shall be deleted and replaced with “an obligation may be specified as a Reference Obligation”.
- (J) In Section 3.3, references to the “Effective Date” shall mean the “Trade Date”.
- (K) Section 3.7 is amended by inserting at the end thereof the following: “and such other published or electronically displayed news or information sources as are referenced in any Notice of Publicly Available Information”.

(L) Section 3.9 is deleted and replaced in its entirety by the following:

“Section 3.9 Credit Event Notice After Restructuring.

- (a) In the event that Restructuring is the only Credit Event specified in a Credit Event Notice, the Notifying Party shall specify the portion (an “**Exercise Amount**”) of the Reference Entity Notional Amount in respect of which the Conditions to Settlement are being satisfied in such Credit Event Notice. Such Exercise Amount shall be determined in the sole discretion of the Notifying Party but shall be an amount that is at least 1,000,000 units of the currency (or, if Japanese Yen, 100,000,000 units of the currency) in which the Reference Entity Notional Amount is denominated or an integral multiple thereof or the entire then outstanding Reference Entity Notional Amount. In no case may the Exercise Amount exceed the Reference Entity Notional Amount.
- (b) For the purposes of Section 2 of this Notional Swap Confirmation (*Settlement Terms*), the Reference Entity Notional Amount of the relevant Reference Entity shall be deemed to be the Exercise Amount.
- (c) In the event that the Conditions to Settlement are satisfied with respect to any Reference Entity and the Exercise Amount is less than the relevant Reference Entity Notional Amount, that Reference Entity shall continue to be a Reference Entity for the purposes of the Transaction and:
 - (i) shall have a Reference Entity Notional Amount equal to its Reference Entity Notional Amount immediately prior to the relevant Event Determination Date *minus* that Exercise Amount; and
 - (ii) the Conditions to Settlement may be satisfied on one or more future occasions with respect to that Reference Entity (including, without limitation, with respect to a Restructuring Credit Event in relation to which a Settlement Date has already occurred on one or more previous occasions), *provided* in each case that the Reference Entity Notional Amount of that Reference Entity prior to such satisfaction is greater than zero.”

(M) The final sentence of Section 4.6(b) shall be deleted.

(N) The final sentence of Section 7.2 shall be deleted.

(O) The phrase “only one Reference Obligation and one Valuation Date” shall be deleted from Section 7.5(a). Sections 7.5(b), 7.5(c) and 7.5(d) shall not apply.

(P) Section 7.7 of the Credit Derivatives Definitions is hereby replaced with the following:

“Section 7.7. Quotation. “Quotation” means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

The Calculation Agent shall attempt to obtain Full Quotations with respect to the Valuation Date from five or more Dealers. If the Calculation Agent is able to obtain two or more such Full Quotations from Dealers other than Buyer in respect of such Valuation Date, then the Calculation Agent shall use such Full Quotations to determine the Final Price in accordance with the specified Valuation Method. If the Calculation Agent is unable to obtain two or more such Full Quotations in respect of such Valuation Date but is able to obtain a Weighted Average Quotation in respect of

such Valuation Date, then the Calculation Agent shall use such Weighted Average Quotation to determine the Final Price in accordance with the specified Valuation Method.

If the Calculation Agent is unable to obtain two or more such Full Quotations or such a Weighted Average Quotation in respect of such Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until and including the fifth Business Day) the Calculation Agent shall attempt to obtain two or more such Full Quotations from five or more Dealers other than Buyer and, if two or more such Full Quotations are not available from such Dealers other than Buyer on any such Business Day, a Weighted Average Quotation on such Business Day. If the Calculation Agent is able to obtain two or more such Full Quotations in respect of any such Business Day from such Dealers other than the Buyer, then the Calculation Agent shall use such Full Quotations to determine the Final Price in accordance with the specified Valuation Method. If the Calculation Agent is unable to obtain two or more such Full Quotations in respect of any such Business Day but is able to obtain a Weighted Average Quotation in respect of any such Business Day, then the Calculation Agent shall use such Weighted Average Quotation to determine the Final Price in accordance with the specified Valuation Method.

If the Calculation Agent is unable to obtain two or more such Full Quotations or such a Weighted Average Quotation from such Dealers other than Buyer on or prior to the fifth Business Day following the relevant Valuation Date, then the Calculation Agent shall use the Full Quotation, if any, obtained from Buyer on such fifth Business Day to determine the Final Price in accordance with the specified Valuation Method. If the Calculation Agent is unable to obtain such Full Quotation from Buyer on such fifth Business Day following the relevant Valuation Date, then the Quotation shall be deemed to be zero.

The Calculation Agent shall determine, based on then current market practice in respect of the relevant Reference Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.

If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the outstanding principal balance (as defined in Section 8.7(a)(i)) for purposes of determining the Final Price.”

- (Q) Article X is deleted.
- (R) The phrases “after consultation with the parties” and “in consultation with the parties” shall be deleted wherever they appear in the Credit Derivatives Definitions.
- (S) References to Deliverable Obligation, Deliverable Obligation Category and Deliverable Obligation Characteristics in the definition of Reference Obligation are for convenience only and are not intended to amend Cash Settlement as the Settlement Method.
- (T) References in the Credit Derivatives Definitions to “Physical Settlement Date” or to “Delivery Date” shall be deemed to be references to the relevant Valuation Date.
- (U) Credit Event Notices, Notices of Publicly Available Information and Extension Notices are subject to the requirements regarding notices set forth in Section 1.10 unless otherwise specifically provided herein and shall, in each case, be copied by Buyer to the Principal Paying Agent and the Trustee, *provided* that the delivery of or failure to deliver any such copy to the Principal Paying Agent or the Trustee will not affect the effectiveness of such notice.

ANNEX I

REFERENCE PORTFOLIO ANNEX

| | <u>Reference Entity</u> | <u>Country</u> | <u>Transaction Type</u> | <u>Specified Reference Obligation</u> | |
|----|---|----------------|----------------------------|---------------------------------------|-------------------|
| | | | | <u>CUSIP/ISIN</u> | <u>Senior/Sub</u> |
| 1 | AKZO NOBEL NV | Netherlands | Western European Corporate | XS0170265341 | Senior |
| 2 | ALLTEL CORPORATION | USA | North American IG | US020039DB64 | Senior |
| 3 | AMCOR LIMITED | Australia | Australian Corporate | XS0188426372 | Senior |
| 4 | AMERICAN STANDARD INCORPORATED | USA | North American IG | US029717AC90 | Senior |
| 5 | APACHE CORPORATION | USA | North American IG | US037411AQ88 | Senior |
| 6 | ARROW ELECTRONICS INC | USA | North American IG | US042735AL41 | Senior |
| 7 | ASSICURAZIONI GENERALI SPA | Italy | Western European Insurer | XS0114165276 | Subordinated |
| 8 | AT&T INCORPORATED | USA | North American IG | US78387GAK94 | Senior |
| 9 | AUTOZONE INC | USA | North American IG | US053332AC61 | Senior |
| 10 | AVNET INCORPORATED | USA | North American IG | US053807AM57 | Senior |
| 11 | BERKSHIRE HATHAWAY INCORPORATED | USA | North American IG | US084664AD30 | Senior |
| 12 | BOMBARDIER INC | USA | North American IG | USC10602AG20 | Senior |
| 13 | BOSTON SCIENTIFIC CORPORATION | USA | North American IG | US101137AB33 | Senior |
| 14 | BRITISH AIRWAYS PLC | United Kingdom | Western European Corporate | XS0133582147 | Senior |
| 15 | BRITISH TELECOMMUNICATIONS PLC | United Kingdom | Western European Corporate | XS0097283096 | Senior |
| 16 | BRUNSWICK CORPORATION | USA | North American IG | US117043AF61 | Senior |
| 17 | CASINO GUICHARD-PERRACHON SA | France | Western European Corporate | FR0000488413 | Senior |
| 18 | CATHAY FINANCIAL HOLDING COMPANY LIMITED | Taiwan | Asian Corporate | XS0148186421 | Senior |
| 19 | CBS CORPORATION | USA | North American IG | US925524AU41 | Senior |
| 20 | CENTEX CORPORATION | USA | North American IG | US152312AQ77 | Senior |
| 21 | CENTRICA PLC | United Kingdom | Western European Corporate | XS0137672381 | Senior |
| 22 | CENTURYTEL INCORPORATED | USA | North American IG | US156700AG13 | Senior |
| 23 | CHARTERED SEMICONDUCTOR MANUFACTURING LIMITED | Singapore | Singapore Corporate | US16133RAC07 | Senior |
| 24 | CNA FINANCIAL CORPORATION | USA | North American IG | US126117AL40 | Senior |
| 25 | COUNTRYWIDE FINANCIAL CORPORATION | USA | North American IG | US222372AE46 | Senior |

| | | | | | |
|----|--|----------------|----------------------------|--------------|--------------|
| 26 | COX COMMUNICATIONS INCORPORATED | USA | North American IG | US224044AN72 | Senior |
| 27 | CUMMINS INC | USA | North American IG | US231021AM83 | Senior |
| 28 | DAIMLERCHRYSLER AG | Germany | Western European Corporate | US233835AW75 | Senior |
| 29 | DARDEN RESTAURANTS INC | USA | North American IG | US237194AB19 | Senior |
| 30 | DEUTSCHE LUFTHANSA AG | Germany | Western European Corporate | XS0140276618 | Senior |
| 31 | DEUTSCHE TELEKOM AG | Germany | Western European Corporate | XS0148956559 | Senior |
| 32 | DR HORTON INC | USA | North American HY | US23331AAX72 | Senior |
| 33 | EADS NV | France | Western European Corporate | XS0163822488 | Senior |
| 34 | EASTMAN CHEMICAL COMPANY | USA | North American IG | US277432AD23 | Senior |
| 35 | FEDERATED DEPARTMENT STORES INC | USA | North American IG | US577778BN25 | Senior |
| 36 | FEDERATIVE REPUBLIC OF BRAZIL | Brazil | Emerging Market Sovereign | US105756AL40 | Senior |
| 37 | FORTIS BANK NV/SA | Belgium | Western European Insurer | BE0930831194 | Subordinated |
| 38 | FORTUNE BRANDS INCORPORATED | USA | North American IG | US349631AF84 | Senior |
| 39 | FRANCE TELECOM SA | France | Western European Corporate | FR0000471948 | Senior |
| 40 | GENERAL ELECTRIC CAPITAL CORPORATION | USA | North American IG | US36962GY42 | Senior |
| 41 | GENERAL MOTORS ACCEPTANCE CORPORATION | USA | North American IG | US370425SE16 | Senior |
| 42 | GKN HOLDINGS PLC | United Kingdom | Western European Corporate | XS0147740335 | Senior |
| 43 | GLENCORE INTERNATIONAL AG | Switzerland | Western European Corporate | XS0202202957 | Senior |
| 44 | HELLENIC TELECOMMUNICATIONS ORGANIZATION S A | Greece | Western European Corporate | XS0173549659 | Senior |
| 45 | HUTCHISON WHAMPOA LIMITED | Hong Kong | Asian Corporate | USG4672QAA25 | Senior |
| 46 | INTERNATIONAL LEASE FINANCE CORPORATION | USA | North American IG | US459745EZ45 | Senior |
| 47 | KINGFISHER PLC | United Kingdom | Western European Corporate | XS0178322474 | Senior |
| 48 | KONINKLIJKE AHOLD NV | Netherlands | Western European Corporate | XS0140280644 | Senior |
| 49 | LANXESS | Germany | Western European Corporate | XS0222550880 | Senior |
| 50 | LENNAR CORPORATION | USA | North American IG | US526057AG99 | Senior |
| 51 | LIBERTY MUTUAL GROUP INCORPORATED | USA | North American IG | US53079EAC84 | Senior |
| 52 | LIMITED BRANDS INC | USA | North American IG | US532716AH08 | Senior |
| 53 | LIZ CLAIBORNE INCORPORATED | USA | North American IG | XS0133699412 | Senior |
| 54 | LOUISIANA-PACIFIC CORPORATION | USA | North American IG | US546347AB19 | Senior |
| 55 | MASCO CORPORATION | USA | North American IG | US574599AX44 | Senior |
| 56 | MBIA INCORPORATED | USA | North American IG | US55262CAF77 | Senior |

| | | | | | |
|----|--|----------------|----------------------------|---|--------------|
| 57 | MDC HOLDINGS INCORPORATED | USA | North American IG | US552676AN89 | Senior |
| 58 | MGIC INVESTMENT CORPORATION | USA | North American IG | US552845AF69 | Senior |
| 59 | MUNCHENER RUCKVERSICHERUNGS-GESELLSCHAFT AG IN MUNCHEN | Germany | Western European Insurer | XS0166965797 | Subordinated |
| 60 | NABORS INDUSTRIES INCORPORATED | USA | North American IG | US629568AF37 | Senior |
| 61 | NORDSTROM INC | USA | North American IG | US655664AH33 | Senior |
| 62 | OA0 GAZPROM | Russia | Russian Corporate | ISIN XS0223715920 issued by VTB Capital SA ISIN US92909MAB63 issued by VTB Capital SA ISIN XS0197141285) issued by VTB Capital SA ISIN XS0182007830 issued by VTB Capital SA (ISIN US92909MAA80) issued by VTB Capital SA (ISIN XS0202919667) issued by VTB Capital SA ISIN XS0208643469 issued by VTB Capital SA Each LPN (as defined in Russian Corporate Schedule of the Credit Swap Confirmation)) | Senior |
| 63 | ONEOK INC | USA | North American IG | US682680AL72 | Senior |
| 64 | PEARSON PLC | United Kingdom | Western European Corporate | XS0102793642 | Senior |
| 65 | PETROLEOS MEXICANOS | Mexico | Emerging Market Corporate | US706451AH49 | Senior |
| 66 | PEUGEOT SA | France | Western European Corporate | FR0000487159 | Senior |
| 67 | PMI GROUP INC | USA | North American IG | US69344MAE12 | Senior |
| 68 | PUBLICIS GROUPE SA | France | Western European Corporate | FR0010157354 | Senior |
| 69 | PULTE HOMES INC | USA | North American IG | US745867AL56 | Senior |
| 70 | QANTAS AIRWAYS LIMITED | Australia | Australian Corporate | USQ77974AW52 | Senior |
| 71 | RADIAN GROUP INCORPORATED | USA | North American IG | US750236AB78 | Senior |
| 72 | RENAULT SA | France | Western European Corporate | FR0000474843 | Senior |
| 73 | RESIDENTIAL CAPITAL CORPORATION | USA | North American IG | US76113BAC37 | Senior |
| 74 | ROYAL CARIBBEAN CRUISES LIMITED | USA | North American HY | US780153AP78 | Senior |

| | | | | | |
|-----|--------------------------------|----------------|----------------------------|--------------|--------------|
| 75 | SABRE HOLDINGS CORPORATION | USA | North American IG | US785905AA83 | Senior |
| 76 | SAFEWAY INCORPORATED | USA | North American IG | US786514BF54 | Senior |
| 77 | SCOR SA | France | Western European Insurer | XS0112998223 | Subordinated |
| 78 | SHERWIN WILLIAMS COMPANY INC | USA | North American IG | US824348AL09 | Senior |
| 79 | SPRINT NEXTEL CORPORATION | USA | North American IG | US852060AS17 | Senior |
| 80 | SWEDISH MATCH AB | Sweden | Western European Corporate | XS0259109154 | Senior |
| 81 | SWISS REINSURANCE COMPANY | Switzerland | Western European Insurer | XS0138467401 | Subordinated |
| 82 | TALISMAN ENERGY INC | Canada | North American IG | US87425EAE32 | Senior |
| 83 | TELEVISION FRANCAISE 1 | France | Western European Corporate | FR0010027508 | Senior |
| 84 | TELSTRA CORPORATION LIMITED | Australia | Australian Corporate | XS0131858838 | Senior |
| 85 | TEMPLE INLAND INCORPORATED | USA | North American IG | US879868AH09 | Senior |
| 86 | TEXTRON INC | USA | North American IG | US883203BG54 | Senior |
| 87 | THE BLACK & DECKER CORPORATION | USA | North American IG | US091797AJ96 | Senior |
| 88 | THE KROGER COMPANY | USA | North American IG | US501044CE98 | Senior |
| 89 | THE RYLAND GROUP INCORPORATED | USA | North American IG | US783764AK94 | Senior |
| 90 | TIME WARNER INC | USA | North American IG | US00184AAF21 | Senior |
| 91 | TRANSOCEAN INC | USA | North American IG | US893830AK59 | Senior |
| 92 | TXU CORPORATION | USA | North American IG | US873168AL29 | Senior |
| 93 | VINCI SA | France | Western European Corporate | XS0151548616 | Senior |
| 94 | VODAFONE GROUP PLC | United Kingdom | Western European Corporate | XS0169888558 | Senior |
| 95 | VORNADO REALTY LP | USA | North American IG | US929042AB56 | Senior |
| 96 | WEYERHAEUSER COMPANY | USA | North American IG | US962166BP84 | Senior |
| 97 | WHIRLPOOL CORPORATION | USA | North American IG | US963320AH94 | Senior |
| 98 | WOLTERS KLUWER NV | Netherlands | Western European Corporate | XS0181273342 | Senior |
| 99 | XL CAPITAL LIMITED | Bermuda | North American IG | US98372PAF53 | Senior |
| 100 | ZURICH INSURANCE COMPANY | Switzerland | Western European Insurer | XS0177601811 | Subordinated |

ANNEX II

TRANSACTION TYPE ANNEX

| Transaction Type | Credit Events | Obligation Category | Obligation Characteristics | All Guarantees | Deliverable Obligation Category | Deliverable Obligation Characteristics |
|-----------------------------------|--|----------------------------|--|-----------------------|--|--|
| Asian Corporate | Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring | Bond or Loan | Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Law Not Domestic Issuance | Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Transferable Maximum Maturity: 30 years Not Sovereign Lender Not Domestic Law Not Domestic Issuance |
| Asian Sovereign | Failure to Pay Grace Period Extension Not Applicable Restructuring Repudiation/Moratorium | Bond or Loan | Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Law Not Domestic Issuance | Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Transferable Maximum Maturity: 30 years Not Sovereign Lender Not Domestic Law Not Domestic Issuance |
| Australia / New Zealand Corporate | Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation Applicable | Borrowed Money | None | Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies and the Domestic Currency of the Reference Entity Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years |

| Transaction Type | Credit Events | Obligation Category | Obligation Characteristics | All Guarantees | Deliverable Obligation Category | Deliverable Obligation Characteristics |
|---------------------------|---|---------------------|--|----------------|---------------------------------|---|
| Emerging Market Corporate | Bankruptcy Failure to Pay Grace Period Extension Applicable Restructuring Multiple Holder Obligation Not Applicable Repudiation/Moratorium Obligation Acceleration | Borrowed Money | Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance | Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Transferable Not Domestic Law Not Domestic Issuance |
| Emerging Market Sovereign | Failure to Pay Grace Period Extension Applicable Restructuring Multiple Holder Obligation Not Applicable Repudiation/Moratorium Obligation Acceleration | Bond | Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance | Applicable | Bond | Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Transferable Not Domestic Law Not Domestic Issuance |
| Japanese Corporate | Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring Section 3.9 Not Applicable Multiple Holder Obligation Not Applicable Section 3.3 of the Credit Derivatives Definitions shall be amended by replacing "Greenwich Mean Time" with "Tokyo time." | Borrowed Money | Not Subordinated | Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years |
| Japanese Sovereign | Failure to Pay Grace Period Extension Not Applicable Restructuring Section 3.9 Not Applicable Multiple Holder Obligation Not Applicable Repudiation/Moratorium Section 3.3 of the Credit Derivatives Definitions shall be amended by replacing "Greenwich Mean Time" with "Tokyo time." | Borrowed Money | None | Applicable | Bond or Loan | Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years |

| Transaction Type | Credit Events | Obligation Category | Obligation Characteristics | All Guarantees | Deliverable Obligation Category | Deliverable Obligation Characteristics |
|-------------------------|--|---------------------|--|----------------|---------------------------------|--|
| North American HY | Bankruptcy Failure to Pay Grace Period Extension Not Applicable | Borrowed Money | None | Not Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years |
| North American IG | Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation Applicable | Borrowed Money | None | Not Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years |
| North American Monoline | Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation Applicable | Borrowed Money | None | Not Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years |
| Russian Corporate | Bankruptcy Failure to Pay Grace Period Extension Applicable Restructuring Multiple Holder Obligation Not Applicable Repudiation/Moratorium Obligation Acceleration | Borrowed Money | Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance | Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Transferable Not Domestic Law Not Domestic Issuance |

| Transaction Type | Credit Events | Obligation Category | Obligation Characteristics | All Guarantees | Deliverable Obligation Category | Deliverable Obligation Characteristics |
|----------------------------|---|----------------------------|---|-----------------------|--|---|
| Singapore Corporate | Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies and the Domestic Currency of the Reference Entity Not Sovereign Lender | Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies and the Domestic Currency of the Reference Entity Not Contingent Not Bearer Assignable Loan Transferable Maximum Maturity: 30 years Not Sovereign Lender |
| Western European Corporate | Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable | Borrowed Money | None | Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years |
| Western European Insurer** | Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring | Borrowed Money | None | Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years |
| Western European Sovereign | Failure to Pay Grace Period Extension Not Applicable Restructuring Repudiation/Moratorium | Borrowed Money | None | Applicable | Bond or Loan | Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years |

ANNEX III

RUSSIAN CORPORATE ANNEX

Where the Reference Portfolio includes any Reference Entities the Transaction Type of which is specified as Russian Corporate, the following additional provisions shall apply to the Transaction. In the event of any inconsistency between the rest of the Credit Swap Confirmation and this Annex, this Annex shall prevail in respect of Reference Entities the Transaction Type of which is specified as Russian Corporate.

1. Additional Terms in respect of Deliverable Obligations

In respect of each Reference Entity in respect of which the Russian Corporate Transaction Type applies, each Specified Reference Obligation will be a Deliverable Obligation notwithstanding anything to the contrary in the Credit Derivatives Definitions, including but not limited to Section 2.15, and in particular, notwithstanding that the Specified Reference Obligation might not be an obligation of the relevant Reference Entity.

Further, the Not Subordinated Deliverable Obligation Characteristic shall be construed as if no Specified Reference Obligation was specified in respect of the relevant Reference Entity.

2. Additional Terms in respect of Obligations

In respect of each Reference Entity in respect of which the Russian Corporate Transaction Type applies, each Specified Reference Obligation will be an Obligation notwithstanding anything to the contrary in the Credit Derivatives Definitions, including but not limited to Section 2.14 and, in particular, notwithstanding the fact that the Specified Reference Obligation might not be an obligation of the relevant Reference Entity.

Further, the Not Subordinated Obligation Characteristic shall be construed as if no Specified Reference Obligation was specified in respect of the relevant Reference Entity.

3. Additional Amendment to the Credit Derivatives Definitions

Section 2.21(d)(vi) shall be amended by the insertion of the following sentence after the last word: "and when used with respect to any Specified Reference Obligation (in relation to a Reference Entity in respect of which the Russian Corporate Transaction Type applies) with an Underlying Loan or an Underlying Finance Instrument, the outstanding principal balance shall be determined by reference to the Underlying Loan or Underlying Finance Instrument (as applicable) relating to such Specified Reference Obligation."

4. Additional Definitions

"**LPN**" means any bond issued by an entity (the "**Bond Issuer**") for the sole purpose of providing funds for the Bond Issuer to (a) finance a loan to a Reference Entity in respect of which the Russian Corporate Transaction Type applies (the "**Underlying Loan**"); or (b) provide finance to a Reference Entity in respect of which the Russian Corporate Transaction Type applies by way of a deposit, loan or other Borrowed Money instrument (the "**Underlying Finance Instrument**"); provided that (i) either (a) in the event that there is an Underlying Loan with respect to such LPN the Underlying Loan satisfies the Obligation Characteristics specified in respect of the relevant Reference Entity; or (b) in the event that there is an Underlying Finance Instrument with respect to such LPN the Underlying Finance Instrument satisfies the Not Subordinated, Not Domestic Law and Not Domestic Currency Obligation Characteristics; (ii) the LPN satisfies the following Deliverable Obligation Characteristics: Transferable, Not Bearer, Specified Currency - Standard Specified Currencies, Not Domestic Law, Not Domestic Issuance; and (iii) the Bond Issuer has, as of the

issue date of such LPN, granted a First Ranking Interest over or in respect of certain of its rights in relation to the relevant Underlying Loan or Underlying Finance Instrument (as applicable) for the benefit of the holders of the LPNs).

For the purposes of the paragraph above, “**First Ranking Interest**” means a charge, security interest (or other type of interest having similar effect (an “**Interest**”), which is expressed as being “first ranking”, “first priority”, or similar (“**First Ranking**”)) in the document creating such interest, notwithstanding that such interest may not be First Ranking under any insolvency laws of any relevant insolvency jurisdiction of the Bond Issuer.

For the avoidance of doubt, any change to the Bond Issuer of a Specified Reference Obligation that is an LPN in accordance with its terms shall not prevent such Specified Reference Obligation constituting a Specified Reference Obligation.

EXHIBIT A

NOTICE AND ACCOUNT DETAILS

Notices for Barclays:

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Tel: +44 (0) 20 7773 9126
Fax: +44 (0) 20 7516 7441
Attention: Head of UK Credit Derivatives

With a copy to:

Barclays Capital
200 Park Avenue
New York, New York 10166
United States of America

Attention: Head of Structured Credit
Transaction Management
Tel: +1.212.412.5700
Fax: +1.212.412.1732

Notices to Counterparty:

Counterparty
[To be provided]

Account Details of Barclays:

EUR

Bank: Barclays Bk Plc, London
Swift: BARCGB22
A/C: Barclays Head Office Swaps
A/C No: 78659111

GBP

Bank: Barclays Bk Plc, 54 Lombard Street,
London
S/C: 20-00-00
Swift: BARCGB22
A/C: Barclays Swaps
A/C No: 00152021

USD

Bank: Federal Reserve Bank of New York, New
York
ABA No: 026-0025-74
A/C: Barclays Bank Plc, New York
Favour: Barclays Swaps & Options Group, New
York
A/C No: 050-01922-8

Account Details of Counterparty:

Counterparty
[To be provided]

ANNEX 2: FORM OF PARAGRAPH 11 OF THE CREDIT SUPPORT ANNEX

References herein to "Party A" are to Barclays Bank PLC and to "Party B" are to XELO II Public Limited Company but only in respect of its Series 2006 (Spinnaker III Europe TRED 2 Series 1) EUR 3,000,000 Secured Limited Recourse Credit-Linked Notes due 2016 (the "Notes").

Paragraph 11. Elections and Variables

(a) Base Currency and Eligible Currency

- (i) "Base Currency" means EUR (and any successor currency).
- (ii) "**Eligible Currency**" means the Base Currency and the lawful currencies of the United Kingdom and the United States of America (and any successor currency to any such currency).

(b) Credit Support Obligations

- (i) Delivery Amount, Return Amount and Credit Support Amount
 - (A) "**Delivery Amount**" has the meaning specified in Paragraph 2(a).
 - (B) "**Return Amount**" has the meaning specified in Paragraph 2(b).
 - (C) "**Credit Support Amount**" means on a Valuation Date:
 - (I) with respect to Party A zero, unless on such Valuation Date Party A (i) is obligated to Cure a Downgrade Event pursuant to paragraph (h)(v) of the Confirmation of the Transaction and (ii) elects to Cure such Downgrade Event pursuant to clause (i) of the definition of Cure in such paragraph (h)(v) below, in which case Credit Support Amount means:
 - (a) prior to the payment of the Final Redemption Amount due on the Scheduled Termination Date, the sum of (x) the Present Value of the Final Redemption Amount on such Valuation Date and (y) the Additional CS Amount; or
 - (b) on and after the payment of the Final Redemption Amount due on the Scheduled Termination Date, zero; and
 - (II) with respect to Party B, zero.

(ii) Eligible Credit Support

Each of the items (each, a "**Credit Support Item**") described in Exhibit 1 to this Paragraph 11 of the Credit Support Annex will qualify as "**Eligible Credit Support**". For the avoidance of doubt, if a Credit Support Item ceases to be rated AAA by S&P it shall no longer constitute Eligible Credit Support for the purposes of the Credit Support Annex and, notwithstanding any other provision of the Credit Support Annex, Party A shall have 30 calendar days to replace such Credit Support Item with another item or items that qualifies or qualify as Eligible Credit Support.

If an item (a "**Discretionary Credit Support Item**") is not described in Exhibit 1, such item will still qualify as Eligible Credit Support.

Party A shall not be a portfolio manager of any Eligible Credit Support. Party A shall not be a servicer, originator, sponsor or issuer of any Eligible Credit Support except for Eligible Credit Support consisting of CDO securities.

(iii) **Thresholds**

"**Independent Amount**" means with respect to Party A and Party B, zero.

(A) "**Threshold**" means with respect to Party A and Party B, zero.

(B) "**Minimum Transfer Amount**" means with respect to Party A and Party B, zero.

(C) "**Rounding**". The Delivery Amount and the Return Amount will not be rounded.

(c) **Valuation and Timing**

(i) "**Valuation Agent**" means Party A in all instances

(ii) "**Valuation Date**" means each Local Business Day.

(iii) "**Valuation Time**" means the close of business on the Local Business Day immediately preceding the Valuation Date or date of calculation, as applicable, provided that the calculations of Value and Exposure will, as far as practicable, be made as of approximately the same time on the same date.

(iv) "**Notification Time**" means 1:00 p.m., London time, on a Local Business Day.

(d) **Exchange Date**

"**Exchange Date**" has the meaning specified in Paragraph 3(c)(ii).

(e) **Dispute Resolution**

(i) "**Resolution Time**" means 1:00 p.m., London time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 4.

(ii) "**Value**". For the purposes of Paragraphs 4(a)(4)(i)(C) and 4(a)(4)(ii), the Value of the Credit Support Balance or of any transfer of Eligible Credit Support or Equivalent Credit Support, as the case may be, will be calculated by Party A in good faith and in a commercially reasonable manner.

(iii) "**Alternative**". The provisions of Paragraph 4 will apply, unless an alternative dispute resolution procedure is specified here: none.

(f) **Distributions and Interest Amount**

(i) "**Interest Rate**". The "Interest Rate" in relation to the portion of the Credit Support Balance comprised of cash in an Eligible Currency will be the rate of interest

quoted from time to time by Party B's custodian in respect of such Eligible Currency.

(ii) **Transfer of Interest Amount.** The transfer of the Interest Amount will be made on the last Local Business Day of each calendar month and on any Local Business Day that a Return Amount consisting wholly or partly of cash is transferred to the Transferor pursuant to Paragraph 2(b).

(iii) **Alternative to Interest Amount.** The provisions of Paragraph 5(c)(ii) will apply.

(g) **Addresses for Transfers**

Party A: To be advised by Party A.

Party B: To be advised by Party B's custodian.

(h) **Other provisions:**

(i) Rights and Obligations of Party A

Party A's obligations under this Annex may be performed by Party A or by any other entity designated by Party A, and Party B will accept performance from such other entity, and such performance will be deemed to discharge the obligations of Party A to the extent of such performance, provided, however, Party A will remain obligated to perform its obligations under this Annex notwithstanding any such designation. Party A may assign its right to receive Equivalent Credit Support to any entity, and Party B will transfer such Equivalent Credit Support to such other entity designated by Party A, and such transfer will be deemed to discharge the obligations of Party B to the extent of such transfer.

(ii) **Amendment to Section 12 (Notices)**

For purposes of Paragraph 2, Party B shall be deemed to have given the notice required under Paragraph 2 on any Valuation Date on which the Credit Support Amount exceeds the Value of the Transferor's Credit Support Balance.

(iii) **Amendment to Paragraph 3(c) (Exchanges)**

Subparagraph (ii) of Paragraph 3(c) is deleted in its entirety and replaced with the following:

"(ii) Subject to the New Credit Support proposed by the Transferor under Paragraph 3(c)(i) being a Credit Support Item,

(A) the Transferor will be obliged to transfer the New Credit Support to the Transferee on the Settlement Day specified by the Transferor and (B) the Transferee will be obliged to transfer to the Transferor Equivalent Credit Support in respect of the Original Credit Support not later than the Settlement Day following the date on which the Transferee receives the New Credit Support (the "**Exchange Date**"); *provided* that the Transferee will not be obliged to transfer Equivalent Credit Support in respect of the Original Credit Support to the Transferor if and to the extent that a Delivery Amount would be greater than zero immediately after giving effect to such transfer."

(iv) **Amendment to Paragraph 6 (Default)**

Paragraph 6 is deleted in its entirety and replaced with the following:

If an Early Termination Date is designated or deemed to occur as a result of an Event of Default or a Termination Event in relation to a party, an amount equal to the Value (provided that a Valuation Percentage of 100 per cent. shall be applied for the purposes of determining the Value of Eligible Credit Support comprised in the Credit Support Balance) of the Credit Support Balance, determined as though the Early Termination Date were a Valuation Date, will be deemed to be an Unpaid Amount due to the Transferor (which may or may not be the Defaulting Party or the Affected Party as the case may be) for the purposes of Section 6(e). For the avoidance of doubt, if Market Quotation is the applicable payment measure for the purposes of Section 6(e), then the Market Quotation determined under Section 6(e) in relation to the Transaction constituted by this Annex will be deemed to be zero, and, if Loss is the applicable payment measure for the purposes of Section 6(e), then the Loss determined under Section 6(e) in relation to the Transaction will be limited to the Unpaid Amount representing the Value of the Credit Support Balance.

(v) **Downgrade Events**

If a Downgrade Event occurs, Party A shall Cure such Downgrade Event within 30 calendar days after S&P's public announcement thereof, *provided that* Party A shall not be obligated to Cure a Downgrade Event on any day that such Downgrade Event no longer is continuing.

For purposes of the foregoing:

"Cure" means the fulfilment of the obligations set forth in any one of clause (i), (ii) or (iii) below, or combination thereof, as elected by Party A. Party A shall notify (by telephone or in writing including by electronic transmission) S&P and Party B whether it elects clause (i), (ii) or (iii) to apply as soon as reasonably practical under the circumstances, provided, the failure to provide such notice shall not constitute an Event of Default or Termination Event or affect the effectiveness of its election. Party A, after fulfilment of such obligations, may thereafter Cure a Downgrade Event by fulfilment of the obligations in any other of the following clauses or combination thereof:

- (i) transfer Eligible Credit Support in an amount and at the times required under the Credit Support Annex; or
- (ii) obtain (at its expense) agreement of a third party having the Required Ratings to act as Party A under the Confirmation; or
- (iii) obtain (at its expense) agreement of a third party having the Required Ratings to guarantee Party A's payment obligations under the Confirmation.

"Downgrade Event" means the Long Term Rating and Short Term Rating of Party A are lower than the Required Ratings.

"Long Term Rating" means S&P's long term, unsecured, unsubordinated and unguaranteed debt obligation rating of a person at any time.

“Required Ratings” means a Long Term Rating of “AA-” or higher and a Short Term Rating of “A-1+”.

“Short Term Rating” means S&P’s short term, unsecured, unsubordinated and unguaranteed debt obligation rating of a person at any time.

Failure to give effect to a Cure where required by this Credit Support Annex shall be an Additional Termination Event with Party A as the Affected Party.

(vi) **Amendments to Paragraph 10 (*Definitions*)**

(A) Capitalised words and expressions defined in the Confirmation (as defined below) shall, except so far as the context otherwise requires, have the same meaning in this Annex. In the event of any inconsistency between the definitions in the Confirmation and this Annex, this Annex shall prevail.

(B) The following amendments shall be made to the definitions in Paragraph 10 of this Annex:

The definition of **“Credit Support Balance”** is deleted and replaced with the following:

“Credit Support Balance” means on a Valuation Date:

- (i) with respect to Party A, the aggregate of all Eligible Credit Support that has been transferred to or received by Party B under this Annex, together with any Distributions and all proceeds of any such Eligible Credit Support or Distributions, as reduced pursuant to Paragraphs 2(b), 3(c)(ii) or 6. Any Equivalent Distributions or Interest Amount (or portion of either) not transferred pursuant to Paragraph 5(c)(i) or (ii) will form part of the Credit Support Balance; and
- (ii) with respect to Party B, zero.

The definition of **“Value”** is deleted and replaced with the following:

“Value” means, for any Valuation Date or other date for which Value is calculated, and subject to Paragraph 4 in the case of a dispute:

- (i) with respect to Eligible Credit Support comprised in the Credit Support Balance that is:
 - (a) an amount of cash or a Deposit, the Base Currency Equivalent of such amount multiplied by the applicable Valuation Percentage, if any; and
 - (b) any other item of Eligible Credit Support, the Base Currency Equivalent of the bid price obtained or quoted by the Valuation Agent for such item of Eligible Credit Support multiplied by the applicable Valuation Percentage, if any; and
- (ii) with respect to other items that are comprised in the Credit Support Balance not covered by (i) above, zero.

- (C) The following additional definitions shall be added to Paragraph 10 of this Annex:

"AAA ABS_(Cards)" means an asset backed security which the Valuation Agent determines (i) represents ownership of or payments on which are secured by or derived from credit card receivables, (ii) the documentation for which provides for periodic payments at a floating rate and (iii) is rated AAA by S&P.

"AAA ABS_(Autos)" means an asset backed security which the Valuation Agent determines (i) represents ownership of or payments on which are secured by or derived from auto loan and/or lease receivables, (ii) the documentation for which provides for periodic payments at a floating rate and (iii) which is rated AAA by S&P.

"Additional CS Amount" means, as at any Valuation Date, either:

- (i) an amount, as determined by the Valuation Agent (acting in good faith and in a commercially reasonable manner), equal to the sum of (A) the Buyer Payment Amount due on the next following Buyer Payment Date (or if such day is a Buyer Payment Date, on that day) under the Confirmation and (B) an amount equal to the product of (x) such Buyer Payment Amount multiplied by (y) a fraction, the numerator of which is 5 and the denominator of which is 360, provided that such next following Buyer Payment Date (or, as the case may be, such day if that is a Buyer Payment Date) falls on or prior to the Scheduled Termination Date; or
- (ii) otherwise, zero.

"Commercial Paper" means commercial paper or other short-term securities, instruments, certificates or obligations (other than Deposits) having a maturity of not more than 270 days from their date of issuance and are rated not less than the Short-Term Minimum Rating.

"Confirmation" means the confirmation between Barclays Bank PLC and XELO II Public Limited Company dated on or about the date of the ISDA Master Agreement of which this Credit Support Annex forms a part, including the Annexes and Exhibit thereto, the purpose of which is to confirm the terms and conditions of the Transaction entered into between Party A and Party B.

"Deposits" means demand and time deposits in, certificates of deposit of and bankers' acceptances issued by any Qualifying Institution organised or incorporated in a Qualifying Country.

"Government Bonds" means obligations issued or guaranteed by a Qualifying Country or any agency or instrumentality thereof or the European Central Bank that have a long term credit rating of "AAA" from S&P.

"Long-Term Minimum Rating" means a security, instrument, certificate, investment or other obligation that has a long term credit rating or the issuer or obligor with respect to which has a long-term credit rating of "AA-" or higher from S&P.

"Qualifying Country" means the United States of America, United Kingdom or Federal Republic of Germany (or, in each case, any political subdivision thereof).

"Qualifying Institution" means, in respect of relevant Eligible Credit Support that is a Deposit, any depository institution or trust company (or, in case of a principal depository institution in a holding company system, such holding company) the debt or deposits of which are rated not less than the Short-Term Minimum Rating and not less than the Long-Term Minimum Rating, which for the avoidance of doubt may include Party B's custodian (and its successors) but shall exclude Barclays Bank PLC and any affiliate and its successors.

"Short-Term Minimum Rating" means a security, instrument, certificate, investment or other obligation that has a short term credit rating or the issuer or obligor with respect to which has a short term credit rating of "A-1+" from S&P.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

IN WITNESS whereof, the parties hereby enter into this Annex by their duly authorised officers as of the date written above

BARCLAYS BANK PLC

By:
Name:
Title:
Date:

XELO II PUBLIC COMPANY LIMITED

By:
Name:
Title:
Date:

Exhibit 1
To Paragraph 11 of the Credit Support Annex

Items of Eligible Credit Support

| | | Valuation Percentage (subject to below) |
|-----|---|--|
| (A) | cash in an Eligible Currency | 100% |
| (B) | Deposits that have a remaining maturity of one year or less | 98% |
| (C) | Commercial Paper denominated and payable in an Eligible Currency | 98% |
| (D) | AAA ABS _(Cards) denominated and payable in an Eligible Currency | As specified in the attached schedule |
| (E) | AAA ABS _(Autos) denominated and payable in an Eligible Currency | As specified in the attached schedule |
| (F) | Government Bonds denominated and payable in an Eligible Currency that have a remaining maturity of one year or less | As specified in the attached schedule |
| | Government Bonds denominated and payable in an Eligible Currency that have a remaining maturity of more than one year and less than or equal to three years | As specified in the attached schedule |
| | Government Bonds denominated and payable in an Eligible Currency that have a remaining maturity of more than three years and less than or equal to five years | As specified in the attached schedule |
| | Government Bonds denominated and payable in an Eligible Currency that have a remaining maturity of more than five years and less than or equal to 10 years | As specified in the attached schedule |
| | Government Bonds denominated and payable in an Eligible Currency that have a remaining maturity of more than 10 years | As specified in the attached schedule |
| (G) | Floating rate Collateralised Debt Obligations rated AAA - Diversified: | As specified in the attached schedule |
| (H) | EUR-denominated floating rate Collateralised Debt Obligations rated | As specified in the attached schedule |

Valuation Percentage (subject to below)

AAA - Non-Diversified:

- | | | |
|-----|---|---|
| (l) | Any other bonds, notes, debentures, certificates, securities, instruments or other obligations which are not specified above for which S&P provides a Valuation Percentage to Party A | As specified by S&P in respect of such other bond, note, debenture, certificate, security, instrument or other obligation |
|-----|---|---|

The Valuation Percentages in respect of the items of Eligible Credit Support above shall be adjusted as follows. If any such item of Eligible Credit Support is denominated in:

- (a) GBP, such Valuation Percentages above shall be multiplied by 96.12%; and
- (b) USD, such Valuation Percentages above shall be multiplied by 97.3%.

SCHEDULE TO EXHIBIT 1 TO PARAGRAPH 11 OF THE CREDIT SUPPORT ANNEX

| US Floating CDO – Diversified (≥10 Issuers) | |
|---|--------|
| Rating of Collateral | AAA |
| Domicile | US |
| Weighted Average Life of Collateral | |
| Less than 1 year | 97.90% |
| 1 - 3 years | 95.70% |
| 3 - 5 years | 94.50% |
| 5 - 7 years | 93.10% |
| 7 - 10 years | 92.30% |
| 10+ years | 91.00% |

| US Floating CDO – Non Diversified (<10 Issuers) | |
|---|--------|
| Rating of Collateral | AAA |
| Domicile | US |
| Weighted Average Life of Collateral | |
| Less than 1 year | 96.90% |
| 1 - 3 years | 94.70% |
| 3 - 5 years | 92.50% |
| 5 - 7 years | 90.10% |
| 7 - 10 years | 88.30% |
| 10+ years | 86.00% |

| US credit cards | | Diversified |
|--|--------|-------------|
| Rating of Collateral | AAA | |
| Domicile | US | |
| Weighted Average Life of Collateral | | |
| Less than 1 year | 99.00% | |
| 1 - 3 years | 98.70% | |
| 3 - 5 years | 98.00% | |
| 5 - 7 years | 96.80% | |
| 7 - 10 years | 96.20% | |
| 10+ years | 93.60% | |

| European credit cards | | Diversified |
|--|--------|-------------|
| Rating of Collateral | AAA | |
| Domicile | Europe | |
| Weighted Average Life of Collateral | | |
| Less than 1 year | 96.90% | |
| 1 - 3 years | 96.60% | |
| 3 - 5 years | 96.00% | |
| 5 - 7 years | 94.70% | |
| 7 - 10 years | 94.10% | |
| 10+ years | 91.60% | |

| US autos | | Diversified |
|--|--------|-------------|
| Rating of Collateral | AAA | |
| Domicile | US | |
| Weighted Average Life of Collateral | | |
| Less than 1 year | 99.00% | |
| 1 – 3 years | 98.70% | |
| 3 – 5 years | 98.00% | |
| 5 – 7 years | 96.80% | |
| 7 - 10 years | 96.20% | |
| 10+ years | 93.00% | |

| Europe autos | | Diversified |
|--|--------|-------------|
| Rating of Collateral | AAA | |
| Domicile | Europe | |
| Weighted Average Life of Collateral | | |
| Less than 1 year | 96.90% | |
| 1 - 3 years | 96.60% | |
| 3 - 5 years | 96.00% | |
| 5 - 7 years | 94.70% | |
| 7 - 10 years | 94.10% | |
| 10+ years | 91.60% | |

| | |
|--|--------|
| US Sovereigns | |
| Rating of Collateral | AAA |
| Domicile | US |
| Weighted Average Life of Collateral | |
| Less than 1 year | 98.80% |
| 1 – 3 years | 97.60% |
| 3 – 5 years | 95.30% |
| 5 – 7 years | 93.20% |
| 7 - 10 years | 92.20% |
| 10+ years | 87.80% |

| | |
|--|--------|
| Europe Sovereigns | |
| Rating of Collateral | AAA |
| Domicile | Europe |
| Weighted Average Life of Collateral | |
| Less than 1 year | 98.80% |
| 1 - 3 years | 96.70% |
| 3 - 5 years | 93.30% |
| 5 - 7 years | 88.70% |
| 7 - 10 years | 86.10% |
| 10+ years | 76.80% |

ANNEX 3: FORM OF SCHEDULE TO ISDA MASTER AGREEMENT

Structured Investment Terms Master Charged Agreement Terms

August 2006 (XELO II PLC) Edition

FORM OF CHARGED AGREEMENT

1. Background

- 1.1 These Master Charged Agreement Terms (August 2006 (XELO II PLC) Edition) contain provisions which may be used with respect to any Notes issued by the Issuer, the issue of which is arranged by Barclays Bank PLC or any of its subsidiaries or associated companies.
- 1.2 Notes may be constituted and/or secured by entry into by the Trustee, the Issuer, the Swap Counterparty and any others that may be parties thereto of a Constituting Instrument, each such Constituting Instrument comprising a separate instrument which may incorporate by reference, as amended and/or supplemented as provided therein, the provisions of these Master Charged Agreement Terms (August 2006 (XELO II PLC) Edition).
- 1.3 These Master Charged Agreement Terms (August 2006 (XELO II PLC) Edition) set out the terms and conditions pursuant to which the Swap Counterparty may, at its discretion, enter into a Charged Agreement with the Issuer of a Series of Notes issued by the Issuer under the Programme and comprise a Schedule (the “**Schedule**”) to the International Swaps and Derivatives Association Inc. 1992 Form of Master Agreement (Multicurrency – Cross Border).
- 1.4 Upon the execution of the Constituting Instrument relating to the Notes of a particular Series by or on behalf of the persons party thereto in the capacities of Issuer and Swap Counterparty, such persons shall be deemed to have entered into an agreement in respect of the Notes constituted and/or secured by such Constituting Instrument on the terms of these Master Charged Agreement Terms (August 2006 (XELO II PLC) Edition) (as the same may be modified or supplemented by the provisions of such Constituting Instrument).

2. Definitions

Unless otherwise defined herein or the context otherwise requires, the Master Definitions as specified in and amended by the Constituting Instrument relating to the Notes of the relevant Series shall apply to these Master Charged Agreement Terms (August 2006 (XELO II PLC) Edition) and any deed or document incorporating them.

SCHEDULE

to the ISDA Master Agreement
Multicurrency-Cross Border) published by the
International Swaps and Derivatives Association, Inc. (“ISDA”)

Dated: the date specified in the
Constituting Instrument
relating to the Notes referred to
in such Constituting Instrument

between

the Swap Counterparty

(“**Party A**”)

and

the Issuer

(“**Party B**”)

In respect of each Constituting Instrument entered into by the parties thereto (the “**Constituting Instrument**”) and the Series of Notes constituted thereby (the “**Notes**”), Party A and Party B are deemed to have entered into an agreement (the “**Agreement**”) in the form of the ISDA Master Agreement (Multicurrency - Cross Border) relating to the Charged Agreement entered into by Party A and Party B in respect of such Series of Notes, and such Agreement is deemed to be incorporated into this Agreement *in extenso* as amended by the following schedule which shall take effect as if it was the Schedule to such Agreement.

**SCHEDULE TO THE AGREEMENT
IN RESPECT OF THE SERIES OF NOTES
CONSTITUTED BY THE CONSTITUTING INSTRUMENT**

This Schedule is the Schedule to the Agreement referenced on the preceding page. For the avoidance of doubt, the Agreement and this Schedule relate solely to the Charged Agreement entered into between Party A and Party B in respect the Notes constituted by the Constituting Instrument referenced on the preceding page.

In this Schedule “**Notes**” means the Notes of the relevant Series constituted by the relevant Constituting Instrument and “**Charged Assets**” and “**Noteholders**” bear the meaning ascribed thereto in the Conditions of the Notes of the relevant Series.

This Agreement shall not be construed in any circumstances to form a single agreement with two or more Confirmations together unless specific provision to that effect is made in the relevant Confirmation(s) and/or Constituting Instrument. It is understood that the parties would not otherwise enter into any Transaction or Transactions. References to this “**Agreement**” in respect of a Transaction or Transactions mean this document together with the Confirmation(s) relating to that Transaction or Transactions. The terms and provisions of the Agreement in all instances shall be read and construed so as to give effect to the foregoing.

Each Charged Agreement shall be constituted by the Agreement and a Confirmation or Confirmations evidencing the Transaction or Transactions to be outstanding thereunder (the “**Transaction**” or “**Transactions**”), each such Confirmation constituting a Confirmation for the purposes of the relevant Agreement.

Notwithstanding anything to the contrary in this Agreement, in respect of a Series of Notes, each Agreement, each relevant Confirmation and each Transaction shall form a single agreement with respect to that Series of Notes. “**Transaction**”, “**Transactions**” and “**Agreement**” shall be interpreted accordingly and no other Agreements and no other Confirmations and Transactions in respect of any other Series of Notes shall be subject to, governed by or made part of such Agreement.

If, in respect of a Series of Notes, the Constituting Instrument therefor provides that Party A and Party B are parties to a Credit Support Annex (Bilateral Form – Transfer) governed by English law (“**Credit Support Annex**”) in respect of such Series of Notes, then the Transaction evidenced by such Credit Support Annex shall be a Transaction subject to, governed by and made part of the Agreement in respect of such Series of Notes.

1. **Termination Provisions**

In this Agreement:

1.1 **“Specified Entity”**: means in relation to Party A for the purpose of:

Section 5(a)(v), Not Applicable
Section 5(a)(vi), Not Applicable
Section 5(a)(vii), Not Applicable
Section 5(b)(iv), Not Applicable

in relation to Party B for the purpose of:

Section 5(a)(v), Not Applicable
Section 5(a)(vi), Not Applicable
Section 5(a)(vii), Not Applicable
Section 5(b)(iv), Not Applicable

1.2 **“Specified Transaction”**: will have the meaning specified in Section 14.

1.3 **“Cross Default”**: the provisions of Section 5(a)(vi) will not apply to either Party A or Party B.

1.4 **“Credit Event Upon Merger”**: the provisions of Section 5(b)(iv) will not apply to either Party A or Party B.

1.5 **“Automatic Early Termination”**: the provisions of Section 6(a) will not apply to either Party A or Party B.

1.6 **Payments on Early Termination**. For the purpose of Section 6(e) of this Agreement:

(1) Market Quotation will apply; and

(2) The Second Method will apply.

1.7 **“Termination Currency”**: means the currency in which the Notes are denominated.

1.8 **“Affected Transactions”**: If there is more than one Transaction outstanding under the Agreement in relation to a Series of Notes and an Early Termination Date is designated or deemed to occur in respect of any one Transaction under the Agreement in relation to a Series of Notes, all Transactions shall be Affected Transactions in respect of such Agreement and Series of Notes.

1.9 **“Additional Termination Event”** will apply as follows:

(1) If at any time the Notes become repayable in full prior to the maturity date thereof in accordance with the Conditions thereof an Additional Termination Event will be deemed to have occurred; or

(2) If at any time the Transaction is required to be terminated in part pursuant to any of Paragraphs 1.10 or 1.11 below, an Additional Termination Event will be deemed to have occurred, but only with respect to that part of the Transaction which terminates pursuant to such paragraph; or

- (3) If the event specified in Paragraph 1.12 occurs in relation to the Notes an Additional Termination Event will be deemed to have occurred; or
- (4) If at any time, Party A determines in good faith, following confirmation from a reputable international tax advisor, that there has been, or there is a substantial likelihood that there will be, an imposition of, any tax, withholding or other charge on the assets or income of Party B by the taxing authorities (a) of the jurisdiction in which the Portfolio Manager (as defined in the Conditions of the Notes) is resident for tax purposes or (b) of any jurisdiction from which the Portfolio Manager exercises its rights or performs its duties with respect to Replacements (as defined in the Conditions of the Notes) under the Reference Portfolio (as defined in the Conditions of the Notes), as a result of the operation of any provision or, or the exercise of any rights under the Portfolio Management Agreement (as defined in the Conditions of the Notes), Party A shall give notice to Party B of such determination and an Additional Termination Event will be deemed to have occurred one Business Day following delivery of such notice by Party A.

Paragraph 1.9(4) has been deemed to be inserted into the Schedule pursuant to the Constituting Instrument.

For the purposes of the foregoing Additional Termination Events the Affected Party shall be Party B.

1.10 If some (but not all) of the Notes are to be redeemed by Party B pursuant to the paragraph headed "Alternative Procedures" of Condition 1(b)(3) or Condition 7(f) of the Notes (and subject, where applicable, to the prior payment in respect of and/or delivery of such relevant proportion of the Charged Assets to the Swap Counterparty as is required to fund the relevant early Redemption Amount or Issuer Optional Redemption Amount, as the case may be) then:

- (A) the obligations of Party B to make payment or delivery to Party A in respect of each Transaction outstanding under the Agreement after the date of such redemption shall be terminated:
 - (1) in the event that there are Charged Assets in relation to the Series of Notes, to the extent and in the amounts that are equivalent to the amounts which would have been received by Party B on the Charged Assets to be released from the security granted in favour of the Trustee by or pursuant to the Constituting Instrument and, if applicable, any Additional Charging Instrument consequent upon such redemption; or
 - (2) in the event that there are no Charged Assets in relation to the Series of Notes, to the extent and in the amounts that are equivalent to the amounts which would have been payable on the Notes so redeemed; and
- (B) Party A's obligations to make payment or delivery to Party B in respect of each Transaction outstanding under the Agreement after such date shall be terminated to the extent and in the amounts that are equivalent to the amounts which would have been payable on the Notes so redeemed.

Party B shall at any time and from time to time if it receives notice in writing to such effect from Party A but not otherwise exercise its Sale/Redemption Right pursuant to Condition 1(b)(3) (*U.S. Series/U.S. Tranche – Alternative Procedures*) in accordance with the instructions contained in such notice.

- 1.11 If Party A receives a notice that some or all of the Notes are to be purchased by Party B pursuant to Condition 7(g) (*Purchase*) of the Notes having given its consent to such purchase in accordance with such Condition (and subject, where applicable, to the prior payment in respect of and/or delivery of such relevant proportion of the Charged Assets to the Swap Counterparty as is required to fund the relevant Early Redemption Amount or Issuer Optional Redemption Amount, as the case may be) then:
- (A) the obligations of Party B to make payment or delivery to Party A in respect of each Transaction outstanding under the Agreement after the date of such purchase shall be terminated:
 - (1) in the event that there are Charged Assets in relation to the Series of Notes, to the extent and in the amounts that are equivalent to the amounts which would have been received by Party B on the Charged Assets to be released from the security granted in favour of the Trustee by or pursuant to the Constituting Instrument and, if applicable, any Additional Charging Instrument consequent upon such purchase; or
 - (2) in the event that there are no Charged Assets in relation to the Series of Notes, to the extent and in the amounts that are equivalent to the amounts which would have been payable on the Notes so purchased; and
 - (B) Party A's obligations to make payment or delivery to Party B in respect of each Transaction outstanding under the Agreement after such date shall be terminated to the extent and in the amounts that are equivalent to the amounts which would have been payable on the Notes so purchased.
- 1.12 If Party A receives a notice that the Notes are to be exchanged for Notes of a New Series pursuant to Condition 7(h) (*Exchange of Series*) of the Notes having given its consent to such purchase in accordance with such Condition, then the obligation of each of Party A and Party B to make payment or delivery to the other party in respect of each Transaction outstanding under the Agreement after the date of such exchange shall be terminated in full.
- 1.13 On receiving a notice referred to in Paragraphs 1.10 or 1.11 or 1.12 above Party A will calculate the amount owing hereunder to it as a result of such termination or by it as a result of such termination, unless the Confirmation in relation to any Transaction so terminated in whole or in part expressly provides otherwise. Amounts due from Party A to Party B or from Party B to Party A, as the case may be, will be made to the account of the relevant party specified in the Confirmation. All such payments will be made on the date specified in such notice or, in the case of Paragraph 1.10 above, on the due date of redemption of the Notes in question or, in the case of Paragraph 1.12 above, on the date of cancellation of the Notes and issue of the Notes of the New Series.
- 1.14 Separate Agreements: Section 1(c) shall be deleted and replaced with the following:
- “Notwithstanding anything to the contrary in this Agreement, in respect of a Series of Notes, each Agreement, each relevant Confirmation and each Transaction shall form a single agreement with respect to that Series of Notes. “**Transaction**”, “**Transactions**” and “**Agreement**” shall be interpreted accordingly and no other Agreements and no other Confirmations and Transactions in respect of any other Series of Notes shall be subject to, governed by or made part of such Agreement.

This Agreement shall not be construed in any circumstances to form a single agreement with two or more Confirmations together unless specific provision to that effect is made in the relevant Confirmation and/or Constituting Instrument. It is understood that the parties would not otherwise enter into any Transaction or Transactions. References to this “**Agreement**” in respect of a Transaction or Transactions mean this document together with the Confirmation relating to that Transaction or Transactions. The terms and provisions of the Agreement in all instances shall be read and construed so as to give effect to the foregoing.”

2. **Tax Representations**

2.1 **Payer Representation**: For the purpose of Section 3(e) of this Agreement, each of Party A and Party B will make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representation made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement of the other party contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, provided that it shall not be in a breach of this representation where reliance is placed on item (ii) above and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

2.2 **Payee Representations**: None.

3. **Agreement to Deliver Documents**

For the purpose of Sections 3(d) and 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents, as applicable:

(A) Tax forms, documents or certificates to be delivered are:

| <u>Party required to deliver document</u> | <u>Form/Document/Certificate</u> | <u>Date by which to be delivered</u> |
|--|---|---|
| Not applicable | Not applicable | Not applicable |

(B) Other documents to be delivered are:

| <u>Party Required to deliver document</u> | <u>Form/Document/Certificate</u> | <u>Date by which to be delivered</u> | <u>Covered by Section 3(d) Representation</u> |
|--|--|---|--|
| Party B | Legal opinion of counsel in the jurisdiction of incorporation of Party B | At signing of the Constituting Instrument relating to the Notes | No |
| | Letter from agent for service of process confirming acceptance of | At signing of the Constituting Instrument | No |

| | | |
|---|---|-----|
| appointment | relating to the Notes | |
| Copy of resolution of board of directors authorising execution of the Charged Agreement constituted by the Constituting Instrument relating to the Notes of the relevant Series and the Confirmation thereunder | At signing of the Constituting Instrument relating to the Notes | Yes |
| A duly authorised and executed Power of Attorney appointing persons to execute, <i>inter alia</i> , the Charged Agreement constituted by the Constituting Instrument relating to the Notes of the relevant Series and the Confirmation thereunder, or other evidence of due authorisation of a signatory hereto | At signing of the Constituting Instrument relating to the Notes | Yes |

4. **Miscellaneous**

4.1 **Addresses for Notices**: For the purpose of Section 12(a):

- (A) Address for notices of communications to Party A: As specified in the Constituting Instrument relating to the Notes of the relevant Series.
- (B) Address for notices or communications to Party B: As specified in the Constituting Instrument relating to the Notes of the relevant Series.

4.2 **Process Agent**: For the purpose of Section 13(c):

Party A appoints as its Process Agent: Not applicable.

Party B appoints as its Process Agent the person specified as agent for service of process in the Constituting Instrument relating to the Notes of the relevant Series.

4.3 **Offices**: The provisions of Section 10(a) will apply to this Agreement.

4.4 **Multibranch Party**: For the purpose of Section 10(c):

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

4.5 Calculation Agent: The Calculation Agent is Party A unless another entity is specified as Calculation Agent in respect of a Transaction in the Confirmation therefor. Party A (in its own capacity and as Calculation Agent or otherwise) is not acting as a fiduciary for or as an advisor to any person or entity in respect of its duties as Calculation Agent or otherwise in connection with this Agreement or any Transaction hereunder and shall have no obligation to take any person or entity's (other than its own) interest or position into consideration in making any calculation or taking or refraining from taking any action in connection herewith or therewith.

4.6 Credit Support Document: Details of any Credit Support Document:

Party A: None, unless in respect of a Series of Notes, the Constituting Instrument therefor specifies that Party A is required to deliver a Credit Support Annex in which event such Credit Support Annex shall constitute a Credit Support Document in respect of Party A and such Series of Notes.

Party B: None.

4.7 Credit Support Provider: Credit Support Provider means in relation to Party A: Not applicable.

Credit Support Provider means in relation to Party B: Not applicable.

4.8 Governing Law: This Agreement will be governed by and construed in accordance with English law.

4.9 "Affiliate": will have the meaning specified in Section 14 unless another meaning is specified here: No change from Section 14 except that with respect to Party B it shall mean any person or entity controlled, directly or indirectly, by Party B.

5. Other Provisions

5.1 No Set-off

(A) All payments under this Agreement shall be made without set-off or counterclaim.

(B) Section 6(e) shall be amended by the deletion of the following sentence "The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off."

5.2 Security interest and transfer

Section 7 shall be replaced by the following:

"Except as otherwise contemplated by Clauses 9.2 and 16.2 of the Master Trust Terms incorporated into the Trust Deed by the Constituting Instrument relating to the Notes of the relevant Series (as defined in the Conditions of the Notes), neither this Agreement nor any interest or obligation in or under it may be transferred (whether by way of security or otherwise) by either party except in accordance with the following:

(A) subject to the consent of the Trustee, a party may make such a transfer of all or part of its interest in any amount payable to it from a Defaulting Party under Section 6(e);

- (B) subject to the consent of the Trustee and provided that, if such transfer is proposed by Party A and the Notes are then rated at the request of the Issuer by a Rating Agency, such Rating Agency is notified of such substitution and confirms to the Trustee that its then current rating of such Notes by it will not be withdrawn or adversely affected by such transfer, a party may make such transfer of this Agreement to another entity as it shall deem appropriate, whether or not such transfer is pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, such other entity (but without prejudice to any other right or remedy under this Agreement); and
- (C) the Issuer may charge, assign or otherwise create security over its rights under this Agreement in favour of the Trustee pursuant to the Constituting Instrument or any Additional Charging Instrument.

Any purported transfer that is not in compliance with this Section will be void.”.

5.3 Disapplication of certain Events of Default

Sections 5(a)(ii), 5(a)(iv), 5(a)(v), 5(a)(vi), 5(a)(vii)(9) and 5(a)(viii) will not apply in respect of Party A or Party B.

5.4 Disapplication of certain Termination Events

Sections 5(b)(ii), 5(b)(iii) and 5(b)(iv) shall not apply to either party.

5.5 Transfer to avoid Termination Event

Sections 6(b)(ii) and 6(b)(iii) shall not apply.

5.6 Amendments

Section 9(b) is amended by the addition at the end thereof of the following additional sentences:

“Subject as provided below, if the Notes are rated, any such amendment, modification or waiver shall be subject to prior written notification to each Rating Agency and to confirmation from each Rating Agency as to there being no adverse change caused to the rating granted to the Notes by each Rating Agency that originally assigned a rating to such Notes at or about the time of issuance thereof. The immediately preceding sentence shall not apply to Party A and Party B entering into the Transactions under the Confirmation of even date herewith. This Section 9(b) shall not apply to any amendment, modification or waiver to the Confirmation dated of even date herewith pursuant to the terms of such Confirmation, which amendment, modification or waiver expressly does not require the consent of Party B or is permitted to be made by Party A pursuant to the terms of such Confirmation or which amendment, modification or waiver is deemed to occur pursuant to the terms of such Confirmation.”.

5.7 Additional representation

Section 3 is amended by the addition at the end thereof of the following additional representations:

“(g) **No Agency.** It is entering into this Agreement and the Transaction(s) as principal and not as agent of any person.

(h) **Expertise.** It has sufficient knowledge and expertise to enter into the Transaction(s) and is relying on its own judgment and not on advice of the other Party.”.

5.8 Recording of conversations

Each party to this Agreement acknowledges and agrees to the tape recording of conversations between the parties to this Agreement whether by one or other or both of the parties.

5.9 Relationship between the parties

The Agreement is amended by the insertion after Section 14 of an additional Section 15, reading in its entirety as follows:

“15. **Relationship between the parties**

Each party will be deemed to represent to the other party on the date on which it enters into the Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for the Transaction):

(a) **Non Reliance**

It is acting for its own account and it is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into the Transaction; it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction. It has not received from the other party any assurance or guarantee as to the expected results of the Transaction.

(b) **Assessment and Understanding**

It is capable of accepting the terms, conditions and risks of the Transaction. It is also capable of assuming, and assumes, the financial and other risks of the Transaction.

(c) **Status of Parties**

The other party is not acting as a fiduciary or an adviser for it in respect of the Transaction.

(d) **Transactions in the Collateral**

It understands that the other party and its Affiliates may engage in proprietary trading for its own account in the Collateral or similar instruments and that such trading may affect the value of the Collateral.”.

5.10 Tax

Notwithstanding the definition of “Indemnifiable Tax” in Section 14 of this Agreement, in relation to payments by Party A, no Tax shall be an Indemnifiable Tax and, in relation to payments by Party B, no Tax shall be an Indemnifiable Tax and accordingly Section 2(d)(i)(4) and Section 2(d)(ii) of this Agreement shall not apply. Section 4(e) shall not apply to Party B.

5.11 Non-petition/limited recourse

Notwithstanding any other provision hereof, of any Charged Agreement or of the Confirmation relating thereto or otherwise, Party A hereby acknowledges that it shall have recourse in respect of any claim under the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or under the Confirmation relating thereto and forming part thereof against Party B (whether arising under such Charged Agreement, such Confirmation, the general law, or otherwise) only to the Collateral (or part thereof if so provided in the Constituting Instrument relating to the Notes) relating to the Notes of the relevant Series and that, the security constituted in its favour by or pursuant to the Constituting Instrument relating to the Notes of the relevant Series and/or, if applicable, any Additional Charging Instrument having been enforced, any claim under the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto and forming part thereof which it has against Party B and which is not met out of the proceeds of enforcement of such security (as applied in accordance with the provisions of the relevant Constituting Instrument) shall be extinguished and (save for lodging a claim in the liquidation of Party B initiated by another person or taking proceedings to obtain a declaration or judgment as to the obligations of Party B) Party A will not take any further action against Party B in respect thereof and will not have any claim in respect of the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto and forming part thereof against the Collateral or Charged Assets relating to any other Discrete Series or Alternative Investments issued by Party B or against any other assets of Party B. It is a fundamental term of any debt comprising amounts owing to Party A by Party B under the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto and forming part thereof that Party A shall not be entitled to exercise any right of set-off, lien, consolidation of accounts or other similar right arising by operation of law or otherwise against Party B other than in its capacity as Party A, and then solely in respect of rights arising, under the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto and forming part thereof and not in respect of any other agreement and shall not petition or take any other step for the winding-up of Party B in relation to such debt (save as aforesaid). This provision shall survive termination for any reason whatsoever of the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto.

5.12 Payments

Section 2(c) shall not apply. There shall be inserted the following additional paragraph as Section 2(f):

“(f) **Same day payments.** If on any date (a “**Relevant Date**”) amounts are payable in respect of the same Transaction, by each party to the other, then the amount payable by Party A (the “**Party A Payment**”) shall not be so payable until the

amount payable by Party B (the “**Party B Payment**”) shall have been duly paid and received in full in accordance with the provisions of this Agreement. If on a Relevant Date, Party A shall not have received evidence satisfactory to it of the payment and receipt of the Party B Payment (“**Party B Payment Evidence**”), it shall be entitled but not obliged to pay the Party A Payment to an interest bearing escrow account in its name with the Principal Paying Agent on terms that the Party A Payment shall be paid to Party B in accordance with this Agreement if Party A shall have notified the Principal Paying Agent that it has received the Party B Payment Evidence but otherwise the Party A Payment shall be immediately repaid in full together with any accrued interest by the Principal Paying Agent to Party A for Party A’s sole use and benefit:

- (i) if Party A shall notify the Principal Paying Agent that there has occurred an Event of Default with respect to Party B or a Termination Event; or
- (ii) in any event (if the Party A Payment shall not at such time have been paid to Party B in accordance with this Section 2(f)), immediately before close of business on the third Local Business Day after the Relevant Date.

The making or withholding of any Party A Payment or the taking or omission to take any other action by Party A in the circumstances and in the manner set out in this Section 2(f) shall not constitute an Event of Default or a Termination Event, in either such case, with respect to Party A. Party A shall as against Party B be absolutely beneficially entitled to any interest accrued on the escrow account referred to above.”.

5.13 Section 5(a)(vii)

Section 5(a)(vii) shall apply with respect to Party B with the following amendments:

- (i) Section 5(a)(vii)(2) shall not apply.
- (ii) Section 5(a)(vii)(3) shall take effect with the words “the Noteholders” substituted for “its creditors”.
- (iii) Section 5(a)(vii)(4) is hereby deleted and replaced with the words “institutes or has instituted against it (other than by Party A or its Affiliates) a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, or for the appointment of an examiner to it and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or the appointment of an examiner to it or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof”.
- (iv) Section 5(a)(vii)(5) is hereby amended by the insertion of the following words after the occurrence of the word “liquidation”:

“or sends a notice convening a meeting to propose a voluntary arrangement of the Noteholders”.

- (v) Sections 5(a)(vii)(6) and (7) shall take effect with the words “assets comprised in the Collateral (as defined in the Constituting Instrument)” substituted for “all or substantially all its assets”.
- (vi) Section 5(a)(vii)(7) is hereby amended by the insertion of the following words after the occurrence of the word “thereafter”:

“other than, for the avoidance of doubt, in the case of Party B, by the creation of any security interest in respect of Party B’s assets pursuant to the trust deed in respect of any Series of Notes, the Deed of Charge or the Deed of Floating Charge (if any)”.

5.14 Contracts (Rights of Third Parties) Act 1999

A person which is not a party to the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument relating to the Notes has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of such Charged Agreement or any agreement or deed or constituted hereby, but this does not affect any right or remedy of a third party which exists or is available apart from that Act (and is without prejudice to the right of the Trustee to enforce its security over such Charged Agreement as contemplated by the Trust Deed relating to the Notes of the relevant Series).

5.15 Calculation of Settlement Amount

Notwithstanding the provisions of Section 6(e), the determination of any Settlement Amount shall be made by Party A in all circumstances except where Party A is the Defaulting Party, in which case it shall be made by Party B.

5.16 Notices

Section 12 of the Agreement is amended by the deletion of the following in the second to third lines thereof:

“(except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system).”.

ANNEX 4: FORM OF MASTER PORTFOLIO MANAGEMENT AGREEMENT

FMDCM/1227-147/IRS/SDM LN:232A942_102(12)

Master Portfolio Management Agreement

between

ARLO Limited

as Initial Issuer

Solent Capital (Guernsey) Limited

as Portfolio Manager

Solent Capital Partners LLP

as Portfolio Adviser

BNY Corporate Trustee Services Limited

as Trustee

Barclays Bank PLC

as Swap Counterparty

Simmons & Simmons

CityPoint One Ropemaker Street London EC2Y 9SS

T +44 (0)20 7628 2020 F +44 (0)20 7628 2070 DX Box No 12

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THIS AGREEMENT has been executed as a deed by the parties set out below on 21 November 2006

BETWEEN:

- (1) **ARLO LIMITED** (the "Initial Issuer" and an "Issuer"), a company with limited liability incorporated under the laws of the Cayman Islands, whose registered office is at P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands and such other persons as from time to time accede to this Agreement as issuers pursuant to Clause 16 (each referred to in this Agreement as an "Issuer" and, together with the Initial Issuer, the "Issuers");
- (2) **SOLENT CAPITAL (GUERNSEY) LIMITED**, (the "Portfolio Manager" which expression shall include any successor or substitute portfolio manager pursuant to the terms of this Agreement), a company with limited liability incorporated under the laws of Guernsey, whose registered office is at Ogier House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA, Channel Islands;
- (3) **SOLENT CAPITAL PARTNERS LLP**, (the "Portfolio Adviser" which expression shall include, in relation to any Series of Notes, any successor or substitute investment adviser appointed pursuant to the terms of the Portfolio Advisory Agreement entered into with respect to such Series), a limited liability partnership under the laws of United Kingdom, whose registered office is at The Courthouse, Ertstadt Court, Denmark Street, Wokingham, Berkshire RG40 2YF, United Kingdom and its place of business is at 30 Charles II Street, London SW1Y 4AE, United Kingdom;
- (4) **BNY CORPORATE TRUSTEE SERVICES LIMITED**, (the "Trustee" which expression shall include all other persons for the time being the trustee or trustees under the Constituting Instrument in respect of the relevant Series of Notes), a private limited company incorporated under the laws of England and Wales, acting through its offices at One Canada Square, London E14 5AL, United Kingdom; and
- (5) **BARCLAYS BANK PLC**, (the "Swap Counterparty"), acting through its offices at 5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom.

Whereas:

- (A) Each of the Issuers may propose from time to time to issue certain series of notes ("Notes") in respect of which the Portfolio Manager will act as portfolio manager, each of which will be linked to one or more Reference Portfolios and each to be constituted by a Constituting Instrument (each a "Series") pursuant, in each case, to an existing note issuance programme of the relevant Issuer.
- (B) In relation to each of the Series, the Swap Counterparty will enter into, or has entered into, on or about the date of the relevant Constituting Instrument, with the relevant Issuer a Charged Agreement.
- (C) Pursuant to the terms of each Charged Agreement, any of the Reference Entities in the Reference Portfolio(s) relating to it may, from time to time, be replaced with another Reference Entity in accordance with this Agreement.

- (D) Each of the Issuers may from time to time wish to engage the Portfolio Manager to direct such replacements, and the Portfolio Manager has agreed to provide such and other services as set out in this Agreement, as supplemented by a Portfolio Management Confirmation relating to the relevant Series.

It is agreed as follows:

1. Definitions and Interpretation

- 1.1 In this Agreement (including the recitals), unless the context otherwise requires expressions used herein and not otherwise defined in this Agreement shall have the meanings ascribed to them in the Charged Agreement and the terms and conditions of each Series:

“Additional Issuer” means any party which accedes to this Agreement as an additional issuer pursuant to and in accordance with Clause 16;

“Affiliate” or “Affiliated” means with respect to a Person:

- (A) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person; or
- (B) any other Person who is a director, officer or employee:
- (1) of such Person;
 - (2) of any subsidiary or parent company of such Person; or
 - (3) of any Person described in item (A) above.

For the purposes of this definition, control of a Person shall mean the power, direct or indirect, (A) to vote more than 50% of the securities having ordinary voting power for the election of directors of such Person, or (B) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise. Each Issuer shall be deemed to have no Affiliates;

“Charged Agreement” with respect to a Series has the meaning given to it in the terms and conditions of such Series;

“Connected Person” means, in relation to a Person, any Persons connected to such Person within the meaning of section 839 of the Income and Corporation Taxes Act 1988;

“Constituting Instrument” means, with respect to each Series, the constituting instrument in relation to that Series;

“Constitutional Documents” means the memorandum, articles, certificate of incorporation or association and by-laws, if applicable, and in the case of a partnership, the partnership agreement and, in the case of a limited liability company, the limited liability company agreement or notarial deed by which it is incorporated, and in the case of any entity formed by legislation, the charter or statutory instrument;

“Deed of Adherence” means a deed of adherence in the form set out in Schedule 2 executed by, inter alios, an Additional Issuer pursuant to Clause 16 hereof;

“Delegate” means any Person (other than Solent LLP or any UK Adviser) to whom the Portfolio Manager, in connection with its obligations and activities under this Agreement, has made any delegation or employed to execute duties or provide advice in each case pursuant to Clause 15.2;

“Event of Default” means, with respect to a Series, an event of default pursuant to Condition 9 of such Series;

“Junior Portfolio Guidelines” means the Portfolio Guidelines set out in Annex 2B to the Portfolio Management Confirmation for each Series (if applicable);

“Master Portfolio Management Agreement” means this Agreement, as may be amended, supplemented, updated and/or replaced from time to time;

“Notes” has the meaning given to it in Recital (A) above;

“Person” means an individual, corporation (including a business trust), partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof;

“Portfolio Advisory Agreement” means, in respect of a Series of Notes, the portfolio advisory agreement dated on or about the issue date of such Notes entered into between the Portfolio Manager and the Portfolio Adviser;

“Portfolio Guidelines” means, in relation to each Series and a Reference Portfolio, the replacement criteria described in the Portfolio Management Confirmation with respect to that Series and such Reference Portfolio;

“Portfolio Management Agreement” means, in respect of a Series of Notes, the Portfolio Management Confirmation relating to such Series and this Agreement (as may be modified and/or supplemented by such Portfolio Management Confirmation);

“Portfolio Management Confirmation” means, with respect to each Series, a confirmation in or substantially in the form set out in Schedule 1 hereto;

“Proceedings” has the meaning given to it in Clause 19 and “Proceeding” shall be construed accordingly;

“Prospectus” means the prospectus in respect of each Series prepared by or on behalf of the relevant Issuer (including any amendments or supplements thereto);

“Rating Agency” means, with respect to each Series, the rating agency(ies) specified in the Portfolio Management Confirmation in respect of that Series;

“Rating Agency Confirmation” means with respect to a Note and any specified action or determination, receipt of written confirmation(s) (including by email) by the Rating Agency, to the extent that such Note is outstanding and rated by the Rating Agency, that such specified action or determination will not result in the reduction or withdrawal of the then-current rating of such Note;

“Replacement” means, in relation to a Reference Portfolio, a replacement carried out in accordance with the Replacement Procedures;

“Replacement Procedures” means the procedures set out in the relevant Portfolio Management Confirmation in respect of a Series;

“Senior Portfolio Guidelines” means the Portfolio Guidelines set out in Annex 2A to the Portfolio Management Confirmation for each Series;

“Series” has the meaning given to it in Recital (A) above;

“Short Reference Portfolio” means with respect to a Series of Notes, if applicable, the short reference portfolio as set out in Annex IB to the related Confirmation, as the same may be modified in accordance with the provisions of the Portfolio Management Agreement and the relevant Confirmation.

“Solent LLP” means Solent Capital Partners LLP or any of its successor(s);

“Transaction Document” means each of the documents entered into by, among others, the Portfolio Manager in connection with or as contemplated by this Agreement, including, without limitation, each Portfolio Management Confirmation; and

“UK Adviser” means any Person (including, for the avoidance of doubt, Solent LLP) which is resident in the United Kingdom or acting in the United Kingdom through a branch, agency or other establishment and employed by the Portfolio Manager pursuant to Clause 15.3 including (without limitation) to render advice (including investment advice) or provide other support services with the purpose of assisting and informing the investment management activities carried out by the Portfolio Manager under this Agreement or otherwise.

1.2 In this Agreement (including the recitals), unless otherwise specified, references to:

“including” shall be construed as a reference to “including without limitation”, so that any list of items or matters appearing after the word “including” shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word “including”;

a “law” shall be construed as any law (including common or customary law), statute, constitution, decree, judgment, treaty, regulation, directive, law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court;

a reference to any “Party” shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests;

a “person” shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

a “subsidiary” or “holding company” is to be construed in accordance with section 736 of the Companies Act and a “subsidiary undertaking” or “parent undertaking” is to be construed in accordance with section 258 of the Companies Act; and

a “successor” of any party shall be construed so as to be an assignee or successor in title of such party as appointed by the operation of law.

1.3 **Statutory Modification**

Any provision of any statute or treaty shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

1.4 **Clauses and Schedules**

Any reference to a Schedule or a Clause, sub-Clause, paragraph or sub-paragraph is, unless otherwise stated, to a Schedule to this Agreement or Clause, sub-Clause, paragraph or sub-paragraph hereof respectively.

1.5 **Schedule Incorporated**

The provisions and definitions contained in the Schedules to this Agreement shall have effect as if they had been incorporated in this Agreement.

1.6 **Gender etc.**

Words denoting the masculine gender shall include the feminine gender, words denoting persons only shall include companies, corporations and partnerships and in each case vice versa.

1.7 **Singular and Plural**

Words importing the singular number only shall include the plural and in each case vice versa.

1.8 **Time**

Save where the contrary is indicated, any reference to a time of day (including opening and closing of business hours) shall be construed as a reference to London time.

1.9 **Charged Agreement and other agreements**

Any reference to a Charged Agreement or any other agreement or document shall be construed as a reference to such Charged Agreement or such other agreement or document, as the case may be, as the same may have been, or may from time to time be, amended, varied, novated, supplemented or replaced.

1.10 **Time of the Essence**

Any date, period or timing specified may be brought forward, postponed or extended by mutual agreement between the parties but as regards any date or period originally fixed or so brought forward, postponed or extended, time shall be of the essence.

1.11 **Headings**

Headings and sub-headings are for ease of reference only and shall not affect the construction of such document.

1.12 **Entire Agreement**

This Agreement, together with each Portfolio Management Confirmation, contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof.

2. **Appointment of the Portfolio Manager**

2.1 **Appointment**

From time to time an Issuer, the Trustee, the Portfolio Manager and the Swap Counterparty may execute a Portfolio Management Confirmation. The execution of a Portfolio Management Confirmation shall constitute the appointment by the relevant Issuer and (for purposes of Clause 2.3 only) the Trustee of the Portfolio Manager to act as portfolio manager in connection with each Reference Portfolio (in relation to a Series of Notes issued by such Issuer which is the subject of such Portfolio Management Confirmation) for the purposes of performing certain management functions set out in this Agreement, including those set out in the Schedules and the relevant Portfolio Management Confirmation, and, to the extent not so provided, in the terms and conditions of the relevant Series of Notes and performing certain other administrative functions in connection therewith necessary to perform its duties as portfolio manager under this Agreement. The execution of the Portfolio Management Confirmation by the Portfolio Manager shall constitute its acceptance of such appointment.

Each Portfolio Management Confirmation together with this Agreement constitutes the Portfolio Management Agreement in relation to the relevant Issuer, the relevant Series and the related Charged Agreement only and references herein and in the documentation related to such Notes to "Portfolio Management Agreement" shall be construed as references to this Agreement as modified and/or supplemented by the relevant Portfolio Management Confirmation.

2.2 **Authority**

The Portfolio Manager's duties and authority to act as Portfolio Manager hereunder are limited to the duties and authority specifically provided for in this Agreement. The Portfolio Manager shall not be deemed to assume the obligations of the Swap Counterparty under any Charged Agreement or any other document or agreement to which the relevant Issuer, the Swap Counterparty or the Trustee is a party.

2.3 **Portfolio Manager to act for Trustee**

At any time after an Event of Default (as defined in the terms and conditions of the Notes of the relevant Series) shall have occurred and is continuing, the Trustee may, at the direction of the majority of Noteholders, in nominal amount, of the Notes of the relevant Series, by notice in writing to the relevant Issuer, the Swap Counterparty and the Portfolio Manager, require the Portfolio Manager until notified by the Trustee to the contrary, so far as permitted by any applicable law or by any regulation having general application:

- (A) to act thereafter as Portfolio Manager on behalf of the Trustee in relation to all powers and duties of the Portfolio Manager otherwise owing to the relevant Issuer

in respect of the relevant Charged Agreement pursuant to this Agreement mutatis mutandis on the terms provided in this Agreement (save that the Trustee's liability under any provisions herein contained for the indemnification, remuneration and expenses of the Portfolio Manager shall be limited to the amounts held by the Trustee on the trusts constituted by the relevant Constituting Instrument); or

- (B) to deliver up all moneys, documents and records held by it in respect of the relevant Charged Agreement to the Trustee or as the Trustee shall direct in such notice, provided that such notice shall be deemed not to apply to any document or record which the Portfolio Manager is obliged not to release by any applicable law or regulation or duties of confidentiality.

2.4 **Operating Procedure**

The Portfolio Manager undertakes to carry out its duties under this Agreement in accordance with the rules and guidelines applicable to its management of the Reference Portfolio(s) (including without limitation, the Portfolio Management Confirmation), in accordance with the terms of this Agreement as the same may be amended from time to time and subject to Rating Agency Confirmation as required.

2.5 **Limitation of Liability of the Issuers**

Notwithstanding any provision to the contrary herein or in any Portfolio Management Confirmation, no Issuer shall have any liability to any persons (including, without limitation, any holder of Notes or the Trustee) for any loss arising from any arrangement in relation to, or otherwise from the operation of, the Replacement Procedures or from the performance or non-performance by any of the Portfolio Manager, the calculation agent in respect of the Charged Agreement for any Series and the Swap Counterparty or any other person of its rights or obligations hereunder, under any Portfolio Management Confirmation or under any Charged Agreement and (without prejudice to the generality of the foregoing) no Issuer shall be obliged to monitor whether any of such persons has complied with its obligations hereunder or thereunder (including, without limitation, whether any Replacement complies with the Replacement Procedures and/or the Portfolio Guidelines).

3. **Powers and Duties of the Portfolio Manager**

3.1 **Duties of Portfolio Manager**

The Portfolio Manager shall exercise its professional judgement to undertake each Replacement to the Reference Portfolio(s) with the objective that (i) the overall credit quality of the Notes will not be degraded in any material respect, (ii) the outstanding principal balance of each Note on its Maturity Date is equal to the outstanding principal balance of such Note on its Issue Date, and (iii) the Adjusted Notional Amount, if applicable, in respect of each Note on its Maturity Date is equal to the Adjusted Notional Amount of such Note on its Issue Date.

In furtherance thereof, the Portfolio Manager shall keep the Reference Portfolio(s) under review and, at its discretion, to be exercised in accordance with Clause 3.2 and in a manner which seeks to achieve the Portfolio Manager's above-referenced investment objectives, from time to time make Proposed Replacements and direct Replacements in accordance with the terms of this Agreement and the relevant Portfolio Management Confirmation. The Portfolio Manager shall perform these duties and functions with the objectives set forth above in mind although the Portfolio Manager does not covenant and

shall not be obliged to ensure that such objectives will be attained notwithstanding its efforts in such regard.

In addition, the Portfolio Manager shall, in connection with the Reference Portfolio(s) relating to any Series of Notes, perform any related duties, obligations and functions specified in respect of the Portfolio Manager in the terms and conditions of such Series of Notes.

3.2 Standard of Care

Notwithstanding anything in this Agreement to the contrary, the Portfolio Manager covenants and agrees to perform its duties and functions under this Agreement and, if any, under the terms and conditions of any Series of Notes with reasonable skill, care and diligence and, subject to the requirements and restrictions of this Agreement, to carry out its obligations hereunder in a manner consistent with practices and procedures generally followed by prudent institutional investment managers advising in respect of transactions similar in nature to the Charged Agreement for any Series. Subject to the preceding sentence, in performing its duties hereunder, the Portfolio Manager shall follow its customary standards, policies and procedures for managing comparable transactions. The Portfolio Manager covenants and agrees that it will act in good faith in performing its duties under this Agreement. Without limiting the foregoing, in each case in which the Portfolio Manager is required to exercise its judgement or discretion under this Agreement, it will do so in accordance with the standard of care specified in this Clause 3.2.

3.3 Limitation of Duties

In exercising its powers and duties under this Agreement and, if applicable, the terms and conditions of any Series of Notes, the Portfolio Manager shall not be required to, and shall not be responsible for any failure to, make any recommendations or directions whatsoever in relation to any Charged Agreement or the related Reference Portfolio(s) in circumstances where it or any of its Affiliates are in possession of information which is or which might reasonably be considered to be confidential, non-public or price sensitive information and, in the opinion of the Portfolio Manager, give rise to, constitute or result in a breach of any of the provisions of insider dealing legislation or laws, regulations or administrative guidelines to which it or its Affiliates are subject, or any confidentiality agreement or undertaking which is binding on it or its Affiliates. The Portfolio Manager shall not be under any fiduciary duty or other obligation towards or have any relationship of agency or trust for or with any person other than the Issuers, the Trustee and the Swap Counterparty.

3.4 Short Reference Portfolios

In relation to any Series in respect of which there is a Short Reference Portfolio, the relevant Issuer appoints the Portfolio Manager to execute and deliver, on its behalf, any Credit Event Notice and to specify the Reference Obligation in relation to the relevant Reference Entity, and the Portfolio Manager accepts such appointment.

4. Provision of Information

4.1 Provision of Information

The Portfolio Manager may request all necessary information from the relevant Issuer and the Swap Counterparty in a timely manner to enable it to perform its obligations under this Agreement. Such Issuer and the Swap Counterparty agree to respond to any such

request in writing (by facsimile or email) or by telephone in a timely manner. Neither such Issuer nor the Swap Counterparty is required to provide such information where it considers such information to be of a confidential nature, or the provision of which is in contravention of any law, rule or regulation of its jurisdiction or is prohibited by any regulator or governmental authority or if it does not possess such information.

4.2 **Notification**

Upon becoming aware of the same the Portfolio Manager shall promptly notify the Issuers, the Principal Agent (which shall notify the Noteholders), the Swap Counterparty, the Trustee and the Rating Agency of (i) any material change in ownership of the Portfolio Manager; (ii) any material adverse change in its business or operations such that, as a result of such change, the Portfolio Manager no longer has the capacity or the competence to perform its obligations as portfolio manager hereunder, in each case as soon as reasonably practicable after any such change; (iii) if the Portfolio Manager becomes aware its activities or those of the Portfolio Adviser will or may render any Issuer subject to taxation in Guernsey or the United Kingdom; and (iv) if the Portfolio Manager ceases to be advised by Solent LLP in relation to any Series.

5. **Brokerage**

The Portfolio Manager may, in the performance of its duties under this Agreement, employ and take into consideration research furnished to it by brokers and dealers (whether its Affiliates or otherwise). Such services may be furnished to the Portfolio Manager in connection with its other advisory activities or investment operations.

6. **Portfolio Management Services**

6.1 **Replacement**

The provisions applicable to the Replacement of Reference Entities in the Reference Portfolio(s) are set out in the Portfolio Management Confirmation relating to the relevant Series.

6.2 **General Undertaking**

The Portfolio Manager undertakes to carry out such calculations and/or make such determinations as the Swap Counterparty may reasonably request in respect of a Charged Agreement and/or the Reference Portfolio(s) from time to time, or supply information to or otherwise assist the Swap Counterparty as it may reasonably request for the purpose of carrying out such calculations and/or determinations.

7. **Obligations of the Portfolio Manager**

7.1 The Portfolio Manager shall take reasonable care and shall act in accordance with the standard of care set out in Clause 3.2 above on behalf of each Issuer to avoid any action (save for any action which is expressly contemplated under this Agreement) being taken by it pursuant to the Portfolio Management Agreement (or, in the case of (F) below, pursuant to the Portfolio Management Agreement or otherwise), which would, in relation to any Series:

(A) materially and adversely affect such Issuer for the purposes of the law of its jurisdiction of incorporation or any other laws (in particular, but not limited to,

banking and securities laws) which are known by the Portfolio Manager to be applicable to such Issuer;

- (B) not be permitted under the Constitutional Documents of such Issuer, copies of which each Issuer confirms it has provided to the Portfolio Manager and the Portfolio Manager acknowledges it has received;
- (C) violate any law, rule or regulation of any governmental body or agency having jurisdiction over such Issuer or the Swap Counterparty, including, without limitation, any known laws of its jurisdiction of incorporation, English law or United States Federal and State securities laws or other applicable securities laws which are known by the Portfolio Manager to be applicable to such Issuer or the Swap Counterparty;
- (D) require registration of such Issuer as an “investment company” under the United States Investment Company Act of 1940, as amended;
- (E) result in such Issuer being in breach of the terms of the Constituting Instrument, the conditions of such Series, the Charged Agreement or any other document relating to the Charged Agreement or the Notes of the relevant Series in any material respect; or
- (F) cause such Issuer to be engaged in the conduct of a trade or business in the United States or the United Kingdom or Guernsey or cause such Issuer to be subject to:
 - (1) U.S. federal, state or local income tax;
 - (2) United Kingdom corporation tax, income tax, capital gains tax or other United Kingdom tax on income, profits or gains; or
 - (3) Guernsey income tax or other Guernsey tax on income, profits or gains,

as a result of any action taken by the Portfolio Manager

7.2 The Portfolio Manager shall consult with each Issuer prior to making any application to, or filing with, or corresponding with, the Guernsey Financial Services Commission (the “GFSC”) in relation to such Issuer and shall not make any such application or filing or correspondence without the prior consent of such Issuer (such consent not to be unreasonably withheld or delayed). The Portfolio Manager shall promptly notify each Issuer (and provide it with copies) of any notices or correspondence relating to such Issuer which it receives from the GFSC.

8. **Conflicts of Interest**

8.1 **Multiple Interests**

Subject to the provisions of this Agreement, each of the Portfolio Manager and (other than in the case of sub-Clause (E) below) the Swap Counterparty (and their respective Affiliates) are hereby authorised to the extent permitted by applicable laws:

- (A) to act as adviser to clients in investment banking, financial advisory, asset management and other capacities in relation to the Reference Entities in or proposed to become part of any Reference Portfolio;

- (B) to issue, or be engaged as underwriter for the issue of, instruments that any Issuer may purchase, sell or hold;
- (C) along with their managing directors, directors, officers and employees to act in a proprietary capacity and to hold long or short positions in instruments of all types, including (subject to the other provisions hereof) the Notes, securities of Reference Entities in or proposed to become part of any Reference Portfolio and credit default swap transactions similar to or different from each Charged Agreement;
- (D) along with their managing directors, directors, officers and employees to serve as directors of companies which may comprise Reference Entities in or proposed to become part of any Reference Portfolio; and
- (E) along with their managing directors, directors, officers and employees to advise, and take action, with respect to any of the Portfolio Manager's and its Affiliates' clients or proprietary accounts that may differ from the advice given, or may involve a different timing or nature of action taken, than with respect to any one or all of the Portfolio Manager's advisory accounts.

8.2 Rendering of Services

Save as otherwise expressly provided, nothing herein shall prevent the Portfolio Manager or the Swap Counterparty (or any of their respective Affiliates) from engaging in any lawful business, or from rendering services of any kind to any Issuer, the Trustee, the Noteholders or any other Person or entity. Without prejudice to the generality of the foregoing, directors, officers, partners, employees and agents of the Portfolio Manager, the Swap Counterparty (or their respective Affiliates) may, among other things:

- (A) serve as directors (whether supervisory or managing), officers, employees, agents, nominees or signatories for any Issuer or any Reference Entity which is or is proposed to be part of any Reference Portfolio to the extent permitted by their Constitutional Documents, as from time to time amended, or by any resolutions duly adopted by an Issuer or any such Reference Entity, pursuant to their respective Constitutional Documents;
- (B) receive fees for services of any nature rendered to any Reference Entity which is or is proposed to be part of any Reference Portfolio (or to a bank acting on behalf of such Reference Entity);
- (C) be retained to provide services to an Issuer that are unrelated to this Agreement, and be paid therefor;
- (D) be a secured or unsecured creditor of any Reference Entity which is or is proposed to be part of any Reference Portfolio;
- (E) serve as a member of any "creditors' committee" or informal workout group with respect to any Reference Entity which is or is proposed to be part of any Reference Portfolio;
- (F) acquire or dispose of any obligation or transaction of any Reference Entity which is or is proposed to be part of any Reference Portfolio while acting in the capacity of principal or agent;

- (G) underwrite, act as distributor of, or make a market in the Notes or in any obligation or transaction of any Reference Entity which is or is proposed to be part of any Reference Portfolio;
- (H) act as the manager for, or investment advisor to, any other Person; and
- (I) maintain other relationships with any Reference Entity which is or is proposed to be part of any Reference Portfolio or any of their Affiliates,

provided that, in the case only of the individuals who are directors, officers, partners, employees or agents of the Portfolio Manager responsible for providing the services under this Agreement, each such activity of any such individual shall only be permitted if the Portfolio Manager is not aware at the relevant time that such activity would have a material adverse effect on the Swap Counterparty or any of the Charged Agreements.

8.3 **Additional Activities**

It is understood that the Portfolio Manager and the Swap Counterparty (and any of their respective Affiliates) may engage in any other business and furnish investment management and advisory services to others (including but not limited to, accepting deposits from, make loans or extending credit to, and generally engaging in any kind of commercial or investment banking or other activities), including, in the case of the Portfolio Manager, Persons which may have investment policies similar to or different from those followed by the Portfolio Manager with respect to any Reference Entity in any Reference Portfolio and which may own securities of the same or different class, or which are the same or different type, as those of the Reference Entities which are or are proposed to be part of any Reference Portfolio. The Portfolio Manager and the Swap Counterparty will each be free, in its sole discretion, to make recommendations to others, or to effect transactions on behalf of itself or for others, which may be the same as or different from those effected with respect to any Reference Entity in any Reference Portfolio.

8.4 **Principal or Agent**

Nothing contained in this Agreement shall prevent the Portfolio Manager or the Swap Counterparty (or any of their respective Affiliates), acting either as principal or agent on behalf of others, from buying or selling or from recommending to or directing any other account to buy or sell, at any time, or from creating, writing or issuing derivative instruments, at any time, with respect to which the underlying securities may be securities of the same kind or class, or securities of a different kind or class, of the Reference Entities that are or are proposed to be part of any Reference Portfolio. It is understood that, to the extent permitted by applicable law, the Portfolio Manager, the Swap Counterparty, their respective Affiliates, and any officer, partner, director, stockholder or employee of the Portfolio Manager, the Swap Counterparty or any such Affiliate or any member of their families or a Person or entity advised by the Portfolio Manager or the Swap Counterparty may have an interest in a particular transaction with respect to which the underlying securities or in securities of the same kind or class, or of a different kind or class, of the same Reference Entities that are or are proposed to be part of each Reference Portfolio.

8.5 **Refrain from Acting**

Unless the Portfolio Manager determines in a commercially reasonable manner that the direction that any entity be a Removed Entity or a Replacement Entity may be appropriate, the Portfolio Manager may refrain from directing that any entity which is (i) a Person of

which the Portfolio Manager, its Affiliates or any of their or their Affiliates' officers, partners, directors or employees is a partner, director or officer, (ii) a Person for which the Portfolio Manager or any of its Affiliates acts as financial adviser or underwriter or (iii) a Person about which the Portfolio Manager or any of its Affiliates have information which the Portfolio Manager deems confidential or non-public or otherwise might prohibit it from trading or dealing in securities issued by such a Person in accordance with applicable law including without limitation, any insider dealing laws, be a Removed Entity or a Replacement Entity hereunder.

8.6 **Swap Counterparty Capacities**

The Portfolio Manager acknowledges that Barclays Bank PLC may act in a number of capacities (including as Swap Counterparty, calculation agent and dealer in respect of any Series) in connection with the Charged Agreements and that Barclays Bank PLC, acting in such capacities in connection with the Charged Agreements, shall have only the duties and responsibilities expressly agreed to by it in the relevant capacity and shall not, by virtue of its acting in any other capacity, be deemed to have any other duties or responsibilities or be deemed to hold a standard of care other than as expressly provided with respect to each such capacity.

9. **Records; Confidentiality**

The Portfolio Manager shall maintain appropriate books of account and records relating to services performed hereunder, and such books of account and records shall be accessible for inspection by a representative of the Swap Counterparty or each Issuer at any time during normal business hours and upon not less than three Business Days' prior notice. For the benefit of each of the other Parties hereto, each Party shall keep confidential any and all information obtained in connection with the services it renders hereunder (including the terms of this Agreement) and shall not disclose any such information to non-Affiliated third parties except:

- 9.1 to the extent permitted with the prior written consent of the other Parties hereto;
- 9.2 as required by law, regulation, court order or the rules or regulations of any self-regulatory organisation, body or official having jurisdiction over such Party;
- 9.3 to its professional advisers including, for the avoidance of doubt, Solent LLP;
- 9.4 such information as shall have been publicly disclosed other than in violation of this Agreement;
- 9.5 such information as the Rating Agency shall reasonably request in connection with the rating of the Notes;
- 9.6 such information concerning a Reference Entity to the extent required to be disclosed in connection with the selection of such Reference Entity;
- 9.7 such information as was in such Party's possession prior to the date such information was obtained in connection with the services rendered hereunder;
- 9.8 such information that was or is obtained or independently developed by such Party on a non-confidential basis, as long as such Party does not know or have reason to know of any breach by such source of any confidentiality obligations with respect thereto;
- 9.9 such information as is contained in the relevant Prospectus; or

9.10 to current and potential future investors in the Notes from time to time,

provided that (i) in no event shall any Party be required to disclose to any other Party any information with respect to a particular Reference Obligation that such Party is obligated by the terms of any governing instruments or other underlying documentation for such Reference Obligation to refrain from so disclosing, and (ii) each Party hereby acknowledges and agrees that certain of the other Parties' employees may have or obtain information that, by virtue of such other Party's internal policies relating to confidential communications, cannot or may not be used by such other Party hereunder.

10. **Reporting Obligations**

10.1 In respect of each Series of Notes, on a periodic basis:

- (A) the Swap Counterparty will prepare an investor report (the "Investor Report"); and
- (B) the Portfolio Manager will prepare a commentary report (the "Commentary").

10.2 The Swap Counterparty and the Portfolio Manager shall be individually responsible for, and shall seek to agree with each investor the timing and manner of delivery of:

- (A) in the case of the Swap Counterparty, the Investor Report; and
- (B) in the case of the Portfolio Manager, the Commentary.

11. **Fees**

11.1 The fees payable to the Portfolio Manager by or on behalf of the Issuer for the performance of its obligations as portfolio manager in respect of each Series of Notes shall be set out in the relevant Portfolio Management Confirmation.

11.2 Subject as set out in the relevant Portfolio Management Confirmation, if any Notes comprised in a Series for which the Portfolio Manager has been appointed to act as portfolio manager are cancelled, redeemed or repurchased by the Issuer of such Series, then the fees payable to the Portfolio Manager in respect of such Series shall be reduced in an amount that is *pro rata* to the reduction of the outstanding principal amount of such Series as a result of such cancellation, redemption or repurchase.

11.3 If the Portfolio Manager resigns or is removed as portfolio manager in respect of any Series for any reason, fees payable in respect of such Series shall cease to accrue on the date the Portfolio Manager ceases so to act (the "PM Services End Date"). The fees payable to the Portfolio Manager in respect of such Series that are accrued but unpaid prior to the PM Services End Date shall be paid to the Portfolio Manager within three (3) Business Days after the PM Services End Date in accordance with the relevant Portfolio Management Confirmation.

12. **Indemnity by the Portfolio Manager, the Portfolio Adviser and the Issuers**

12.1 **Indemnity by the Portfolio Manager**

The Portfolio Manager (in such capacity, the "Indemnifying Party") agrees to indemnify the Swap Counterparty and its Affiliates, each Issuer and the Trustee and each of their respective managers, directors, officers, employees and agents (each an "Indemnified Person" and in such capacity, an "Indemnified Party") (the Indemnified Party shall, in each

case comply with the obligations set out in Clause 12.4 below) against any Loss that an Indemnified Party incurs and any Claim made against it directly arising out of the performance by the Portfolio Manager of its duties under this Agreement insofar as such Loss or Claim is incurred by reason of acts or omissions constituting bad faith, wilful misconduct or negligence in the performance of the obligations of the Portfolio Manager under this Agreement. The matters described in this paragraph are collectively referred to for the purpose of this Clause 12 as “Portfolio Manager Breaches”.

The Portfolio Manager will not, however, be responsible for any Loss or Claim in respect of an Indemnified Person that is judicially determined by a court of competent jurisdiction to have resulted from, or arising out of, (i) a material breach by such Indemnified Person of any of its obligations under this Agreement or any other agreement entered into in connection with the Notes and the offering of the Notes, or (ii) the wilful misconduct, bad faith or gross negligence of such Indemnified Person.

The Portfolio Manager shall not be responsible for any action of an Issuer, the Trustee or the Swap Counterparty in following or declining to follow any advice, recommendation or direction of the Portfolio Manager, unless such advice, recommendation or direction would constitute a Portfolio Manager Breach.

12.2 Indemnity by the Portfolio Adviser

The Portfolio Adviser (in such capacity, the “Indemnifying Party”) agrees to indemnify the Swap Counterparty and its Affiliates, each Issuer and the Trustee and each of their respective managers, directors, officers, employees and agents (each an “Indemnified Person” and in such capacity, an “Indemnified Party”) (the Indemnified Party shall, in each case comply with the obligations set out in Clause 12.4 below) against any Loss that an Indemnified Party incurs and any Claim made against it directly arising out of any breach of representations and/or warranties by the Portfolio Adviser under Clause 17.3.

The Portfolio Adviser will not, however, be responsible for any Loss or Claim in respect of an Indemnified Person that is judicially determined by a court of competent jurisdiction to have resulted from, or arising out of, (i) a material breach by such Indemnified Person of any of its obligations under this Agreement or any other agreement entered into in connection with the Notes and the offering of the Notes, or (ii) the wilful misconduct, bad faith or gross negligence of such Indemnified Person.

12.3 Indemnity by the Issuers

Without prejudice to the provisions of Clause 20, each Issuer shall indemnify and hold harmless the Portfolio Manager from and against all Claims and Losses (“Portfolio Manager Losses”) in respect of or arising out of this Agreement (insofar as it relates to such Issuer), the issuance of Notes by such Issuer or the transactions contemplated by this Agreement (insofar as it relates to such Issuer), the Prospectus issued by such Issuer and each document referred to therein to which such Issuer is a party; provided that the Portfolio Manager shall not be entitled to such indemnity for any Portfolio Manager Losses arising from acts or omissions of the Portfolio Manager which would constitute a Portfolio Manager Breach.

12.4 Actions of Indemnified Party

With respect to any Claim made or threatened against an Indemnified Party, or request or other notice of any Loss served upon an Indemnified Party, for which such Indemnified Party is or may be entitled to indemnification under this Clause 12, such Indemnified Party

shall, or with respect to Indemnified Parties that are directors, officers, employees or shareholders of a party hereto, the relevant party shall cause such Indemnified Party to, or, with respect to Indemnified Parties that are Affiliates of a party hereto, the relevant party shall use reasonable endeavours to, and shall procure that such Affiliates will:

- (A) give prompt written notice to the Indemnifying Party of such Claim after such Indemnified Party's receipt of actual notice that such Claim is made or threatened, which notice to the Indemnifying Party shall specify in reasonable detail the nature of the Claim and the amount (or an estimate of the amount) of the Claim; provided, however, that the failure of any Indemnified Party to provide such notice to the Indemnifying Party shall not relieve the Indemnifying Party of its obligations under this Clause 12 unless the Indemnifying Party is materially prejudiced or otherwise forfeits rights or defences by reason of such failure and then only to the extent of such prejudice and forfeiture;
- (B) provide the Indemnifying Party with such information and co-operation with respect to such Claim as the Indemnifying Party may reasonably require including, but not limited to, making appropriate personnel available to the Indemnifying Party at such reasonable times as the Indemnifying Party may request;
- (C) co-operate and take all such steps as the Indemnifying Party may reasonably request to preserve and protect any defences to such Claim;
- (D) in the event any proceedings are brought with respect to such Claim, upon reasonable prior notice, afford to the Indemnifying Party the right (if such right is available), which the Indemnifying Party may exercise in its sole discretion and at its sole expense, to participate in the investigation, defence and settlement of such Claim, and the Indemnified Party shall take into account the Indemnifying Party's reasonable views in connection therewith; and
- (E) neither incur any material expense to defend against nor release or settle any such Claim or make any admission with respect thereto (other than routine or incontestable admissions which the failure to make would expose such Indemnified Party to unindemnified liability) nor permit a default or consent to the entry of any judgment in respect thereof, in each case, without prior written consent of the Indemnifying Party (which shall not be unreasonably withheld or delayed).

In case any proceeding (including any governmental or regulatory investigation) shall be instituted involving any Indemnified Party, such Indemnified Party shall promptly notify the Indemnifying Party in writing and the Indemnifying Party shall have the right, exercisable by giving written notice to the Indemnified Party within 30 days of receipt of written notice from the Indemnified Party of such proceeding, to retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and shall pay the reasonable fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless:

- (A) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel; or
- (B) the named parties to any such proceeding (including any impleaded parties) include both the Indemnifying Party and an Indemnified Party, and the Indemnifying Party and the Indemnified Party have been advised by counsel that

representation of both parties by the same counsel would be inappropriate due to material actual or potential differing interests between them.

The Indemnifying Party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for each Indemnified Party and all such reasonable fees and expenses shall be reimbursed as they are incurred and paid. In the case of any separate firm for the Indemnified Party such firm shall be designated in writing by the Indemnified Party and acceptable to the Indemnifying Party (which consent shall not be unreasonably withheld or delayed). The Indemnifying Party shall not be liable for any settlement of any proceeding without its written consent (which consent shall not be unreasonably withheld or delayed), but if settled with such consent or if there is a final judgment for the plaintiff, the Indemnifying Party agrees, subject to the limitations noted in Clause 12.1, to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed), effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or is likely to have been a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

For purposes of this Clause 12, the following definitions shall apply:

“Claim” means any claim, action or demand; and

“Loss” means any loss, liability, cost, charge or expense and shall include (but not be limited to) costs, charges and expenses (whether legal expenses or otherwise) paid or properly incurred in disputing or defending any Claim or any of the foregoing, provided that “Loss” shall not include any indirect or consequential losses, liabilities, costs charges or expenses.

12.5 Liability of the Trustee

It is acknowledged and agreed that the Trustee shall not be liable to any Issuers, any Noteholders or any other person for any loss arising from any arrangements in relation to, or otherwise from the operations of, the provisions in this Agreement or from the performance or non-performance by any other party of its rights or obligations hereunder and (without prejudice to the generality of the foregoing) the Trustee shall not be obliged to monitor whether any of such persons has complied with its obligations hereunder (including whether any Replacement complied with the provisions of any Portfolio Management Confirmation).

12.6 Reliance on information

Each party to this Agreement and its respective directors, officers, stockholders and employees will not be liable to any Indemnified Person or any other person for any Losses in connection with the performance of its obligations hereunder to the extent that such party relies reasonably and in good faith upon any signature, instrument, statement, notice, resolution, request, direction, instruction, consent, order, certificate, report, opinion or other document or paper provided by one of the other parties hereto that is reasonably believed by it to be both genuine and properly executed or signed by the proper party or parties.

13. No Partnership or Joint Venture

Nothing contained in this Agreement (a) shall constitute any Issuer, the Swap Counterparty and the Portfolio Manager members of any partnership, joint venture, association, syndicate, unincorporated business or other separate entity; (b) shall be construed to impose any liability as such on any of them; or (c) shall be deemed to so confer on any of them any express, implied or apparent authority to so incur any obligation or liability on behalf of the other. The Portfolio Manager's relation to the Swap Counterparty and each Issuer shall be that of an independent contractor.

14. **Term and Change of Portfolio Manager**

14.1 **Term**

This Agreement shall commence on the date hereof and shall continue in force until the first of the following occurs: (a) the termination in whole of all of the Charged Agreements; or (b) the occurrence of the latest Maturity Date in respect of all the Series in respect of which the Portfolio Manager is appointed as portfolio manager.

14.2 **Resignation**

Subject to Clause 14.7 below, the Portfolio Manager may at any time resign in relation to all Series of Notes in respect of which it is appointed as portfolio manager without cause upon 90 days' (or such shorter notice as is acceptable to the Issuers, the Trustee and the Swap Counterparty, such shorter period not to be unreasonably rejected) prior written notice to the Issuers, the Swap Counterparty, the Trustee and the Rating Agency. For the avoidance of doubt the Portfolio Manager may not resign its appointment as portfolio manager in respect of an individual Series of Notes.

14.3 **Removal for "cause"**

- (A) Subject to Clause 14.7 below, in respect of any Series, the Portfolio Manager may be removed for "cause":
- (1) except in the case of an event described in paragraph (3) of the definition of "cause" below, by the relevant Issuer or the Trustee upon 10 days' prior written notice to the Portfolio Manager; provided that written notice thereof shall have been given to the Noteholders of that Series, the Swap Counterparty and the Rating Agency stating that such termination shall be effective only if the relevant Issuer or the Trustee, as applicable, is directed in writing within 30 days after the date of such notice by a majority by outstanding principal amount of the Holders of the Notes of the relevant Series to proceed with such termination (excluding in such calculation any Notes held by the Portfolio Manager or its Affiliates);
 - (2) in the case of an event described in paragraph (3) of the definition of "cause" below, by the relevant Issuer or the Trustee upon 10 days' prior written notice to the Portfolio Manager; or
 - (3) by a majority by outstanding principal amount of the Holders of the Notes of the relevant Series (excluding in such calculation any Notes held by the Portfolio Manager or its Affiliates) upon 10 days' prior written notice to the Portfolio Manager;

- (4) in the case of an event described in paragraph (8) of the definition of “cause” below, by the relevant Issuer or the Trustee upon written notice to the Portfolio Manager.
- (B) For purposes of determining “cause” with respect to any such termination of this Agreement, such term shall mean the occurrence and continuation of any one of the following events:
- (1) the Portfolio Manager violates, or takes any action that breaches, any material provision of this Agreement and/or any Portfolio Management Confirmation or any material provision of the Constituting Instrument applicable to it; or
 - (2) any representation, certificate or other statement made or given in writing by the Portfolio Manager (or any of its directors or officers) pursuant to this Agreement and/or any Portfolio Management Confirmation shall prove to have been incorrect in any material respect when made or given, which breach or materially incorrect representation, certificate or statement (i) has a material adverse effect on the Holders of the Notes, and (ii) within 30 days (or, in the case of a breach of the representation and warranty given pursuant to Clause 2.2(B) of the Replacement Procedures, within 2 days) of its becoming aware (or receiving notice from the Trustee, the relevant Issuer or the Swap Counterparty or any Noteholder) of such breach, or such materially incorrect representation, certificate or statement, the Portfolio 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; or
 - (3) the Portfolio Manager is wound up or dissolved or there is appointed over it or all or substantially all of its assets a receiver, administrator, administrative receiver, liquidator, trustee or similar official; or the Portfolio Manager (a) ceases to, or admits in writing its inability to, pay its debts as they become due and payable, or makes a general assignment for the benefit of or enters into any composition or arrangement with, its creditors generally; (b) 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 Portfolio Manager or of all or substantially all of its properties or assets, or authorises such an application or consent, or proceedings seeking such appointment are commenced without such authorisation, consent or application against the Portfolio Manager and continues undismissed for 60 consecutive days; (c) authorises 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, reorganisation, arrangement, readjustment of debt, insolvency or dissolution, or authorises such application or consent, or proceedings to such end are instituted against the Portfolio Manager without such authorisation, application or consent and are approved as properly instituted and remain undismissed for 60 consecutive days or result in adjudication of bankruptcy or insolvency; (d) permits or suffers all or substantially all of its properties or assets to be sequestered or attached by court order and the order remains undismissed for 60 consecutive days; or (e) is declared *en désastre*; or

- (4) the occurrence of an Event of Default that results directly from any breach by the Portfolio Manager of its duties under this Agreement and/or any Portfolio Management Confirmation; or
 - (5) the occurrence of an act by the Portfolio Manager that constitutes fraud or a criminal offence in the performance of its obligations under this Agreement and/or any Portfolio Management Confirmation, or the Portfolio Manager, or any of its executive officers then currently having responsibility over the management of the Reference Portfolio(s) are convicted, for a criminal offence materially related to its primary business of managing of collateral or investments or its investment advisory activities; or
 - (6) the relevant Issuer has become required to be registered as an investment company under the provisions of the Investment Company Act, directly as a result of any action taken by the Portfolio Manager in violation of this Agreement and/or any Portfolio Management Confirmation; or
 - (7) the relevant Issuer has become engaged in the conduct of a trade or business in the United States, the United Kingdom or Guernsey, or the relevant Issuer is or is likely to be subject to U.S. federal, state or local income tax, United Kingdom tax or Guernsey tax on a net income basis primarily as a result of any action taken by the Portfolio Manager in violation of this Agreement and/or any Portfolio Management Confirmation; or
 - (8) a Termination Event (as defined in the relevant Portfolio Management Confirmation) has occurred.
- (C) The Portfolio Manager shall promptly notify the Trustee, the Swap Counterparty, the relevant Issuer, the Principal Paying Agent (which shall notify the Holders of the Notes) and the Rating Agency if it becomes aware of a “cause” event occurring or if circumstances exist which with the passage of time or giving of notice, as applicable, will constitute a “cause” event.

14.4 Automatic Removal

- (A) Subject to Clause 14.4(B) and Clause 14.7, the Portfolio Manager shall be automatically removed in respect of a Series upon 10 days’ prior written notice to it if the Portfolio Manager ceases to be advised by Solent LLP in relation to such Series.
- (B) The Trustee may waive the notice requirement specified in Clause 14.4(A) and where the Portfolio Manager ceases to be advised by Solent LLP as a result of a material change in business operations of the Portfolio Manager, then the Trustee may remove the Portfolio Manager in respect of a Series where it receives instructions to that effect by a majority by outstanding principal amount of the Holders of the Notes of such Series.

14.5 Removal Without Cause

Subject to Clause 14.7, in respect of any Series, the Portfolio Manager may be removed without cause upon 30 days’ prior written notice by the relevant Issuer or the Trustee provided that, with regard to the Trustee, the Trustee may only give such written notice if it is acting at the direction of the Noteholders representing at least 66 2/3 per cent. of the outstanding principal balance of all Notes of the relevant Series then outstanding.

14.6 **No voting rights for Portfolio Manager or Solent LLP**

Any Notes held by the Portfolio Manager, Solent LLP or any Affiliate of the Portfolio Manager will have no voting rights with respect to any vote in connection with any matter with respect to its status as Portfolio Manager (including with respect to the removal or replacement of the Portfolio Manager) or an acceleration of the Notes in connection with an Event of Default if the effect of the Portfolio Manager's and/or Solent LLP's and/or its Affiliate's action or inaction as a Holder of a Note would effectively prevent such acceleration. The Portfolio Manager, Solent LLP and its Affiliates will have all other rights with respect to any Notes that a Holder of such Notes has under the relevant Constituting Instrument.

14.7 **Replacement of Portfolio Manager**

- (A) Any removal or resignation of the Portfolio Manager in respect of any Series will be effective only upon:
- (1) in the case of a removal pursuant to Clause 14.3(A)(3) or Clause 14.5, the Trustee receiving written confirmation of the appointment by a majority by outstanding principal amount of the Holders of the Notes (or if such Holders fail to make such appointment within 30 days after any such removal or resignation, by the relevant Issuer) of a Successor Portfolio Manager; and
 - (2) the Trustee, the Swap Counterparty and the relevant Issuer having given their prior written consent to the appointment of a Successor Portfolio Manager.
- (B) For the purposes hereof a "Successor Portfolio Manager" is an entity that is an established institution with experience managing assets similar to the Charged Agreement that:
- (1) has demonstrated an ability professionally and competently to perform duties in the capacity of a portfolio manager for a collateralised debt obligation vehicle similar to those duties imposed upon the Portfolio Manager under this Agreement;
 - (2) is legally qualified and has the capacity and appropriate authorisations, licences, consents and approvals required (if any) to act as portfolio manager under this Agreement as successor to the Portfolio Manager under this Agreement;
 - (3) has executed a deed pursuant to which it agrees to assume all of the responsibilities, duties and obligations of the Portfolio Manager under this Agreement and in respect of each Portfolio Management Confirmation and other Transaction Documents to which the Portfolio Manager is party or, in respect of a particular Series of Notes, has executed a new Portfolio Management Agreement whose terms have been approved by a majority by outstanding principal amount of the Holders of the Notes;
 - (4) in respect of which Rating Agency Confirmation has been obtained;
 - (5) is not an Affiliate of any Holder of the Notes;

- (6) shall not cause the relevant Issuer to become required to register as an investment company under the provisions of the Investment Company Act or subject the relevant Issuer to U.S. federal or state income taxation, United Kingdom net income taxation or Guernsey taxation or cause it to be engaged in a trade or business in the United States for U.S. federal income tax purposes or in the United Kingdom for United Kingdom tax purposes or in Guernsey for Guernsey tax purposes; and
- (7) has fulfilled such other criteria as the relevant Issuer, the Trustee and the Swap Counterparty consider necessary.

14.8 Action Upon Resignation or Removal

Save as otherwise required by any applicable laws, upon such resignation or removal, the Portfolio Manager will as soon as practicable, deliver to or to the order of the relevant Issuer(s) all property and documents relating to the Reference Portfolio(s) then in the custody of the Portfolio Manager. The Portfolio Manager will not be required pursuant to the foregoing to deliver property and documents which it is required to retain by law, regulation, court order or by the rules or regulations of any self-regulating organisation, body or official having jurisdiction over the Portfolio Manager. Notwithstanding such resignation or removal, the Portfolio Manager will remain liable for its acts or omissions hereunder arising prior to such resignation or removal and will remain liable for any claims under Clause 12.1 hereunder, any expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including reasonable attorneys' fees) in respect of or arising out of a breach of a representation or warranty made herein or from any failure to comply with this Clause 14.8 and will not be entitled to any additional fees.

14.9 Survival

Clauses 12.1, 12.2 and 12.3 shall survive termination of this Agreement.

15. Delegation; Transfer of Obligations; Assignments; Appointment of advisers

15.1 Transfers by the Portfolio Manager

The Portfolio Manager is not permitted to transfer any of its obligations or duties under this Agreement without the prior written consent of the Issuers, the Swap Counterparty and the Trustee (such consent not to be unreasonably withheld) unless to an entity which is a successor to the Portfolio Manager, in which case no such prior written consent shall be required (provided always that such successor (i) has demonstrated an ability to perform professionally and competently duties similar to those imposed upon the Portfolio Manager under this Agreement; (ii) is legally qualified and has the capacity and all appropriate authorisations, consents, licences and approvals required (if any) to act as Portfolio Manager under this Agreement, as successor to the Portfolio Manager hereunder in the assumption of all the duties, responsibilities and obligations of the Reference Portfolio(s) hereunder and under the other Transaction Documents to which the Portfolio Manager was a party; and (iii) has fulfilled such criteria as the Issuers and Trustee consider necessary.

The Portfolio Manager shall procure that such successor organisation shall be bound hereunder in the same manner as the Portfolio Manager. Any transfer by the Portfolio Manager made in accordance with this Agreement shall bind the transferee hereunder in the same manner as the Portfolio Manager is bound. For the avoidance of doubt, any person to whom the Portfolio Manager's rights, obligations or activities under this

Agreement are transferred shall, by virtue of taking, receiving or accepting such transfer, be deemed, on the date of such transfer, to make all the representations and warranties of the Portfolio Manager to the Issuers, the Trustee and the Swap Counterparty as set out in Clause 17.2 *mutatis mutandis*. In addition, the transferee shall execute and deliver to the Swap Counterparty and the Issuers a counterpart of this Agreement naming such transferee as Portfolio Manager. Upon the execution and delivery of such a counterpart by the transferee, the Portfolio Manager shall be released from further obligations pursuant to this Agreement. The Portfolio Manager shall notify the Rating Agency of any transfer of any of its obligations or duties under this Agreement.

15.2 Delegation by the Portfolio Manager

The Portfolio Manager is not permitted to delegate any of its obligations or duties under this Agreement to any Delegate without the prior written consent of the Issuers, the Swap Counterparty and the Trustee (such consent not to be unreasonably withheld). The Portfolio Manager shall not be relieved of any of its duties or obligations hereunder as a result of such delegation. The Portfolio Manager shall be responsible for all acts and omissions of any Delegates and shall be solely responsible for the fees and expenses payable to any Delegates.

The Portfolio Manager and the Issuers agree to cooperate, using reasonable efforts, to ensure that any delegation by the Portfolio Manager pursuant to this Clause 15.2 will not materially prejudice any Issuer's tax position.

The Portfolio Manager shall notify the Rating Agency of any delegation of any of its obligations or duties under this Agreement.

15.3 Appointment of advisers by the Portfolio Manager

In providing services hereunder, the Portfolio Manager may, without the prior consent of any Person, employ third parties, including its Affiliates, that are resident in the United Kingdom or acting in the United Kingdom through a branch, agency, or other establishment to render advice (including investment advice) and assistance to it and, without limitation, may appoint Solent LLP to provide investment advisory services in respect of any Series of Notes under the terms of the Portfolio Advisory Agreement entered into in respect of such Series.

For the avoidance of doubt, the services provided by such advisers under this Clause 15.3 shall be limited to investment advisory, administrative or support services to the Portfolio Manager to assist and inform the investment management activities performed by the Portfolio Manager under this Agreement but shall not include taking of investment decisions or entering into transactions, agreements or contracts on behalf of, or the provision of advice directly to, any Issuer.

15.4 Assignment by the Swap Counterparty

This Agreement shall not be assigned by the Swap Counterparty without the prior written consent of the Portfolio Manager, the Issuers and the Trustee (such consent not to be unreasonably withheld) unless to an entity which is a successor to the Swap Counterparty, in which case no such prior written consent shall be required and such successor organisation shall be bound hereunder and by the terms of said assignment in the same manner as the Swap Counterparty is bound hereunder. In the event of any such assignment by the Swap Counterparty, the Swap Counterparty shall use its best efforts to cause its successor to execute and deliver to the Portfolio Manager, the Issuers, the

Trustee and the other parties hereto such documents as the Portfolio Manager, the Issuers and the Trustee shall consider reasonably necessary to effect fully such assignment. The Swap Counterparty shall notify the Rating Agency of any assignment by it of this Agreement.

For the purposes of this Clause 15, the term “successor” shall mean any corporation, partnership, limited liability company association or any other organisation or entity into which the Portfolio Manager or Swap Counterparty (as the case may be) has consolidated or amalgamated with, or merged with or into, or transferred all or substantially all of its assets to.

16. Accession of Additional Issuers

The Swap Counterparty and the Portfolio Manager may from time to time agree, with the prior written consent of the Portfolio Adviser and the Trustee but without the prior consent of the existing Issuers, to the addition of an Additional Issuer hereunder in relation to issues of Notes by such Additional Issuer. Such addition shall be effected by the parties so agreeing executing a Deed of Adherence in the form set out in Schedule 2 hereto and upon such execution such Additional Issuer shall become a party to this Agreement as if it had been named in this Agreement (as amended from time to time) as the Initial Issuer on the date hereof.

17. Representations and Warranties

17.1 Representations of the Swap Counterparty

The Swap Counterparty hereby represents and warrants to each of the Initial Issuer, the Trustee and the Portfolio Manager on the date of this Agreement and to each Additional Issuer on the date of the relevant Deed of Adherence, and each of the representations and warranties below shall be deemed to be repeated on the date of each relevant Portfolio Management Confirmation:

- (A) it is duly established as a national banking association and validly existing under the laws of its jurisdiction of incorporation, has the full corporate power and authority to own its assets and to transact the business in which it is currently engaged and is duly qualified, authorised or licensed under the laws of each jurisdiction where the performance of its obligations under this Agreement or the Charged Agreement would require such qualification, authorisation or licence except for those jurisdictions in which the failure to be so qualified, authorised or licensed that would not have a material adverse effect on the business, operations, assets or financial condition of the Swap Counterparty;
- (B) its Constitutional Documents include provisions which give power, and all necessary corporate authority has been obtained and action taken, for it to own its assets, carry on its business and operations as they are now being conducted, to sign and deliver, and perform the transactions contemplated in this Agreement and/or any Portfolio Management Confirmation and the Charged Agreement, and this Agreement and/or any Portfolio Management Confirmation and the Charged Agreement constitute valid and binding obligations of it enforceable in accordance with their terms (except to the extent enforceability may be limited by bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally);
- (C) the signing and delivery of this Agreement and/or any Portfolio Management Confirmation or the Charged Agreement or the performance of any of the transactions contemplated in any of them does not or will not contravene or

constitute a default under, or cause to be exceeded, any limitation on it or the powers of its directors imposed by or contained in:

- (1) any law by which it or any of its assets is bound or affected;
- (2) any of its Constitutional Documents; or
- (3) any agreement to which it is a party or by which any of its assets is bound,

the violation of which would have a material adverse effect on its ability to perform its obligations under this Agreement and/or any Portfolio Management Confirmation and shall not result in or require the creation or imposition of any security interest or lien on any of its property, assets or revenues pursuant to the provisions of any agreements; and

- (D) no authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation and no payment of any duty or tax and no other action whatsoever is necessary or desirable to ensure the validity, legality, enforceability or priority of the liabilities and obligations of it under this Agreement and/or any Portfolio Management Confirmation and the Charged Agreement.

17.2 Representations of the Portfolio Manager

The Portfolio Manager hereby represents and warrants (with respect to itself) to each of the Initial Issuer, the Trustee and the Swap Counterparty on the date of this Agreement and to each Additional Issuer on the date of the relevant Deed of Adherence, and each of the representations and warranties below shall be deemed to be repeated on the date of each relevant Portfolio Management Confirmation:

- (A) it is a company duly organised and validly existing under the laws of Guernsey and has full power and authority to own its assets and to transact the business in which it is currently engaged and is duly qualified and in good standing, under the laws of each jurisdiction where its ownership or lease of property or the conduct of its business requires, or the performance of this Agreement and/or any Portfolio Management Confirmation would require such qualification, except for those jurisdictions in which the failure to be so qualified, would not have a material adverse effect on its business, operations, assets or financial condition or on its ability to perform its obligations under, or on the validity or enforceability of, this Agreement and/or any Portfolio Management Confirmation or each Charged Agreement;
- (B) it has full power and authority to execute this Agreement and/or any Portfolio Management Confirmation and perform all of its, duties and obligations under this Agreement and/or any Portfolio Management Confirmation, and has taken all necessary action to authorise this Agreement and/or any Portfolio Management Confirmation on the terms and conditions hereof and the execution of this Agreement and/or any Portfolio Management Confirmation and performance of all obligations required hereunder. No consent of any other person, including, without limitation, its creditors, and no licence, permit, approval or authorisation of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority (in each case other than consents, licences, permits, approvals, authorisations, exemptions, registrations, filings and declarations given, made or received, as the case may be, prior to the date hereof and in full force and effect on the date thereof) is required by it in connection with this Agreement

and/or any Portfolio Management Confirmation or the execution, performance, validity or enforceability of this Agreement and/or any Portfolio Management Confirmation or its obligations hereunder. This Agreement and/or any Portfolio Management Confirmation has been, and each instrument and document required hereunder shall be, duly authorised, executed and delivered by its duly authorised officer or other representative, and this Agreement and/or any Portfolio Management Confirmation constitutes, and each instrument and document required hereunder when executed and delivered by it hereunder shall constitute, its legally valid and binding obligations;

- (C) the execution, delivery and performance of this Agreement and/or any Portfolio Management Confirmation and the documents and instruments required hereunder does not violate or conflict with any provision of any existing law or regulation binding on or applicable to it, or any order, judgment, award or decree of any court, arbitrator or governmental authority binding on it, or its Constitutional Documents or of any mortgage, lease, contract or other agreement, instrument or undertaking to which it is a party or by which its or any of its assets is or may be bound, the violation of which would have a material adverse effect on its ability to perform its obligations under this Agreement and/or any Portfolio Management Confirmation and shall not result in or require the creation or imposition of any security interest or lien on any of its property, assets or revenues pursuant to the provisions of any such mortgage, trust deed, lease, contract or other agreement, instrument or undertaking;
- (D) there is no charge, investigation, action, suit or proceeding before or by any court pending or, to the best of its knowledge, threatened that could reasonably be expected to have a material adverse effect upon the performance of its duties under, or on the validity of, this Agreement and/or any Portfolio Management Confirmation or each Charged Agreement;
- (E) it is not in violation of its Constitutional Documents or in breach or violation of or in default under any contract or agreement to which it is a party or by which it or any of its property may be bound, or any applicable statute or any rule, regulation or order of any court, government agency or body having jurisdiction over it or its properties or assets, the breach or violation of which or default under which would have a material adverse effect on the validity of this Agreement and/or any Portfolio Management Confirmation, each Charged Agreement, or the performance by it of its duties hereunder;
- (F) it has not at any time and will not, whilst any of the Notes are outstanding, offer its services as a portfolio / investment manager in or from the Cayman Islands unless authorised to do so under all applicable Cayman Islands laws and regulations;
- (G) all of:
 - (1) the Portfolio Manager's investment decisions; and
 - (2) the Portfolio Manager's transactions and execution of agreements or contracts,

in respect of each Issuer and/or the Portfolio Manager's obligations under this Agreement are and will be carried out, either by it or by any Delegate, in (and only in) Guernsey through establishments in Guernsey and in no other jurisdiction and it is an "exempt company" under the provisions of the Income Tax (Exempt Bodies)

(Guernsey) Ordinance 1989 as amended (the “Law”) and accordingly it will be treated, for the purposes of the Law, as non resident in Guernsey for income tax purposes and any Delegate is and will be either an “exempt company” or a resident for tax purposes in (and only in) Guernsey;

- (H) the information relating to the Portfolio Manager in the section entitled “Information concerning the Portfolio Manager and the Portfolio Adviser” in each Prospectus issued with respect to the Notes is true in all material respects and does not omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were given, not misleading in any material respect; and
- (I) the Portfolio Manager (i) does not have its principal office located in any member state of the European Union; (ii) does not have a branch in Ireland; and (iii) does not provide investment business services or investment business advice to individuals in Ireland.

17.3 Representations of the Portfolio Adviser

The Portfolio Adviser hereby represents and warrants (with respect to itself and to any other UK Adviser) to each of the Initial Issuer, the Trustee and the Swap Counterparty on the date of this Agreement and to each Additional Issuer on the date of the relevant Deed of Adherence, and each of the representations and warranties below shall be deemed to be repeated on the date of each relevant Portfolio Management Confirmation:

- (A) any UK Adviser is and will be acting in (and only in) the United Kingdom through establishments in the United Kingdom, is resident in (and only in) the United Kingdom for tax purposes and belongs and will belong in the United Kingdom for the purposes of section 9 of the Value Added Tax Act 1994 and, to the best of the Portfolio Manager’s knowledge, does not and will not cause any Issuer to carry on a trade in the United Kingdom for tax purposes;
- (B) each UK Adviser and any Connected Persons in relation to any such UK Adviser does not and will not have, in aggregate, an Excess Entitlement to any Issuer’s Relevant Profits (whether directly or indirectly), and for this purpose:
 - (1) “Relevant Profits” means the aggregate of all profits and gains of an Issuer which would, if such Issuer were resident in the United Kingdom, be subject to corporation tax, and which arise from the transactions in connection with which the UK Adviser provides its services; and
 - (2) an “Excess Entitlement” to an Issuer’s Relevant Profits means any beneficial entitlement (within the meaning of paragraph 4(1) of Schedule 26 to the Finance Act 2003 as extended by paragraph 4(4) of that Schedule) to such Issuer’s Relevant Profits for any five year period of not less than 20 per cent.;
- (C) the aggregate fee which each UK Adviser receives in an accounting period in respect of its services in relation to this Agreement and/or any Portfolio Management Confirmation will not exceed 70 per cent. of the total fees received by it in that accounting period;
- (D) the fees to which each UK Adviser is entitled in respect of its services in relation to this Agreement and/or any Portfolio Management Confirmation are not less than

what would be customary remuneration for the type of services such UK Adviser provides;

- (E) each UK Adviser is and will be carrying on an investment advisory and/or management business which includes providing the services of a similar nature to the services provided by it in its capacity as UK Adviser, and the services provided by it in its capacity as UK Adviser are and will be provided in the ordinary course of such business; and
- (F) the information relating to the Portfolio Adviser in the section entitled “Information concerning the Portfolio Manager and the Portfolio Adviser” in each Prospectus issued with respect to the Notes is true in all material respects and does not omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were given, not misleading in any material respect.

18. **Notices and English Language**

- 18.1 All communications under or in respect of this Agreement shall be by fax or letter or, to the extent expressly provided in this Agreement, by e-mail or by telephone. Each communication shall be made to the relevant party at the fax number or correspondence address and marked for the attention of the person or department specified below or, if by e-mail or telephone, at the e-mail address or to the telephone number and to the person(s) specified below or as that party may from time to time specify in writing to the others for the purpose.

Any communication made by email must also be confirmed by telephone unless otherwise acknowledged by the recipient (in accordance with this Clause 18) in order for such email communication to be effective.

- 18.2 Without prejudice to express provisions for timing of notices and replies set out herein, a communication shall be deemed received (if by fax) when an acknowledgement of receipt is received or (if by letter) when delivered or (if by e-mail or by telephone) when received, in each case in the manner required by this Clause 18.
- 18.3 Every communication shall be irrevocable save in respect of any manifest error in it. Any notice given under or in connection with this Agreement shall be in English.
- 18.4 Communications to the Initial Issuer should be sent to the following:

ARLO Limited
P.O. Box 1093 GT
Queensgate House
South Church Street
George Town
Grand Cayman
Cayman Islands

Attention: Directors
Facsimile No: +1 345 945 7100
Telephone No: +1 345 945 7099

communications to the Swap Counterparty should be sent to the following:

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London
E14 4BB

Attention: Head of UK Credit Derivatives
Facsimile No.: +44 (0) 20 7516 7441
Telephone No.: +44 (0) 20 7773 9126
Email: andrew.whittle@barcap.com

communications to the Trustee should be sent to the following:

BNY Corporate Trustee Services Limited
One Canada Square
London E14 5AL

Attention: Corporate Trust Administration
Facsimile No: +44 20 7777 5420
Telephone No: +44 20 7777 2734

communications to the Portfolio Manager should be sent to the following:

Solent Capital (Guernsey) Limited
Ogier House
St Julian's Avenue
St Peter Port
Guernsey
GY1 1WA
Channel Islands

Telephone: +44 1481 727 158
E-mail: chris.le.tissier@ogier.com
Fax: +44 1481 721 575
Responsible Personnel: The Directors

communications to the Portfolio Adviser should be sent to the following:

Solent Capital Partners LLP
30 Charles II Street
London SW1Y 4AE

Attention: Partners
Facsimile No: 44 020 702 4881
Telephone No: 44 020 7024 4880

or, in each case, in accordance with such other communications details as may be provided from time to time to the other parties in accordance with this Clause 18.

Communications to any Additional Issuer should be sent to the address set out in the relevant Deed of Adherence.

19. **Law and Jurisdiction**

19.1 **Governing Law**

This Agreement shall be governed by, and construed in accordance with, the laws of England.

19.2 **Jurisdiction**

The parties agree that the courts of England are to have exclusive jurisdiction to settle any disputes arising out of or in connection with this Agreement and, accordingly, legal action or proceedings arising out of or in connection with this Agreement (“Proceedings”) may be brought in such courts. Each party irrevocably submits to the jurisdiction of such courts and waives any objections to Proceedings in such courts on the ground of venue or on the ground that Proceedings have been brought in an inconvenient forum.

19.3 **Agents for Service**

- (A) Each of the Portfolio Manager and the Portfolio Adviser agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on Solent Capital Partners LLP, 30 Charles II Street, London SW1Y 4AE, on its behalf. These documents may, however, be served in any other manner allowed by law.
- (B) The Swap Counterparty agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on its office at 5 The North Colonnade, Canary Wharf, London E14 4BB, on its behalf. These documents may, however, be served in any other manner allowed by law.
- (C) The Initial Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on Simmlaw Services Limited, CityPoint, One Ropemaker Street, London EC2Y 9SS, on its behalf. These documents may, however, be served in any other manner allowed by law.
- (D) The manner in which the parties to this Agreement can serve, on an Additional Issuer, documents which start any Proceedings and any other documents required to be served in relation to those Proceedings will be set out in the Deed of Adherence relevant to such Additional Issuer.

20. **Limited Recourse**

20.1 **Security**

Notwithstanding any other provision hereof or otherwise, each of the Portfolio Manager, the Portfolio Adviser, the Swap Counterparty and the Trustee hereby acknowledges that it shall have recourse in respect of any claim under this Agreement relating to the Notes of the relevant Series against each Issuer (whether arising under this Agreement, any Portfolio Management Agreement, the general law or otherwise) only to the Collateral relating to the Notes of the relevant Series, subject always to the charges and other security interests created by or pursuant to the Constituting Instrument and any such claim by any party and any claims relating to the Notes of the relevant Series of any other unsecured creditors of such Issuer who have agreed to limit their recourse in respect of such claims to such Collateral (or such part thereof) on the same terms (*mutatis mutandis*) as this Clause 20.1 shall be reduced *pro rata* so that the total of all such unsecured claims

against such Issuer or the Collateral relating to the Notes of the relevant Series shall not exceed the aggregate value of the Collateral relating to the Notes of the relevant Series after meeting claims secured thereon and the claims of any other creditors of such Issuer who have not agreed to limit their recourse to specified assets of such Issuer.

The security over the Collateral relating to the Notes of the relevant Series having been realised in accordance with the provisions of the Constituting Instrument relating to the Notes of the relevant Series, none of the Portfolio Manager, the Portfolio Adviser, the Swap Counterparty or the Trustee, or any person acting on their behalf shall be entitled to take any further steps against such Issuer to recover any further sums due to it in respect of this Agreement and/or the Portfolio Management Agreement relating to the Notes of such Series or otherwise and the right to receive any such sum shall be extinguished. In particular, none of the Portfolio Manager, the Portfolio Adviser, the Swap Counterparty or the Trustee shall be entitled to petition or take any other steps for the winding up of such Issuer (save for lodging any claim in the liquidation of such Issuer initiated by another person or taking proceedings to obtain a declaration of judgment as to the obligations of such Issuer), nor shall any of them have any claim in respect of any sum arising in respect of the Collateral or underlying assets for any other Series or Alternative Investments or any other assets of such Issuer and all claims in respect of such sums due but still unpaid shall be extinguished. It is a fundamental term of any debt comprising any amounts due to any of the Portfolio Manager, the Portfolio Adviser, the Swap Counterparty or the Trustee that each such party shall not be entitled to exercise any right of set-off, lien, consolidation of accounts or other similar right arising by operation of law or otherwise against such Issuer or any person entitled to receive any payment under the Notes of the relevant Series or any other Series or Alternative Investments or against the Collateral relating to the relevant Series in priority to such security or other claims or against the Collateral or underlying assets in respect of any other Series or Alternative Investments or any other assets of such Issuer (and each such person waives all such rights) or to petition or take any other step for the winding-up of such Issuer, in any such case, in respect of such debt (save as aforesaid).

20.2 Corporate Obligations

To the extent permitted by law, no recourse under any obligation, covenant, or agreement of any person contained in this Agreement and/or any Portfolio Management Agreement shall be had against any shareholder, officer or director of such person as such, by the enforcement of any assessment or by any legal proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that this Agreement and/or any Portfolio Management Agreement is a corporate obligation of each person expressed to be a party hereto and no personal liability shall attach to or be incurred by the shareholders, officers, agents or directors of such person as such, or any of them, under or by reason of any of the obligations, covenants or agreements of such person contained in this Agreement and/or any Portfolio Management Agreement, or implied therefrom, and that any and all personal liability for breaches by such person of any of such obligations, covenants or agreements, either under any applicable law or by statute or constitution, of every such shareholder, officer, agent or director is hereby expressly waived by each person expressed to be a party hereto as a condition of and consideration for the execution of this Agreement and/or any Portfolio Management Agreement.

20.3 Liability of Issuers *inter se*

Notwithstanding any other provision hereof or otherwise, no Issuer shall have any liability whatsoever to any other Issuer under this Agreement and/or any Portfolio Management Agreement (whether arising under this Agreement, any Portfolio Management Agreement,

general law or otherwise) and, without prejudice to the generality of the foregoing, no Issuer shall be entitled to take any steps to enforce, or bring any action or proceedings in respect of, this Agreement and/or any Portfolio Management Agreement against any other Issuer. In particular, no Issuer shall be entitled to petition or take any other steps for the winding up of any other Issuer or shall have any claim under this Agreement and/or any Portfolio Management Agreement in respect of any assets of any other Issuer.

20.4 **Survival**

The provisions of this Clause 20 shall survive any termination (howsoever arising) of this Agreement or any Portfolio Management Agreement.

21. **Severability**

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

22. **Indulgences Not Waivers**

Neither the failure nor any delay on the part of any party hereto to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege precede any other of further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

23. **No Third Party Rights**

A person who is not party to this Agreement has no right under the Contract (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, but this does not affect any right or remedy of a third party which exists or is available apart from the Act.

24. **Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

25. **Notification of charges and other security interests**

The Trustee hereby gives notice, and each of the Portfolio Manager and the Portfolio Adviser hereby acknowledges that it has notice of, the charges and other security interests created with respect to each Issuer's rights, title, benefit and interest in, to and under this Agreement and each relevant Portfolio Management Confirmation relating to the Notes of the relevant Series created by and pursuant to the Constituting Instrument relating to such Notes.

This Agreement has been executed by the parties as a deed, and is intended to be and is hereby delivered on the date first before written.

SCHEDULE 1: FORM OF PORTFOLIO MANAGEMENT CONFIRMATION

[DATE]

**[ARLO Limited/[•]] (the “Issuer”) – Series 200[•] ([CSO]-[x])
Secured Limited Recourse Credit-Linked Notes due [•] (the “Notes”),
issued pursuant to the Issuer’s U.S.\$5,000,000,000 Limited Recourse Programme for the
issue of Notes and making of Alternative Investments**

This portfolio management confirmation, including all annexes hereto (together, the “Portfolio Management Confirmation”) supplements, forms a part of and is subject to the master portfolio management agreement dated [•] 200[6] and made between [ARLO Limited]⁺[the Issuer]⁺⁺, the Portfolio Manager, the Portfolio Adviser, BNY Corporate Trustee Services Limited as Trustee and Barclays Bank PLC as Swap Counterparty [and to which the Issuer has acceded pursuant to a Deed of Accession dated [•]]⁺ (the “Master Portfolio Management Agreement”), and constitutes a “Portfolio Management Confirmation” in relation to the Notes specified above (but not in relation to any other Notes) for the purposes of the Master Portfolio Management Agreement.

This Portfolio Management Confirmation together with the Master Portfolio Management Agreement constitutes the portfolio management agreement in relation to the Notes and the Charged Agreement and references with respect to the Notes to the “Portfolio Management Agreement” shall be construed as references to the Master Portfolio Management Agreement as modified and/or supplemented by this Portfolio Management Confirmation.

Any terms used in this Portfolio Management Confirmation and not defined herein shall have the meanings ascribed to them in the Master Portfolio Management Agreement, the Conditions of the Notes and/or the Charged Agreement (as defined in the Conditions). All provisions contained in the Master Portfolio Management Agreement shall govern this Portfolio Management Confirmation except as expressly modified below. In the event of any inconsistency between the terms set out in this Portfolio Management Confirmation and the Master Portfolio Management Agreement, the terms of this Portfolio Management Confirmation shall prevail.

1. **Replacement Procedures**

The Replacement Procedures set out in Annex 1 hereto shall apply in respect of each Replacement made in relation to [the/any] Reference Portfolio.

2. **Replacement Guidelines**

2.1 [The Portfolio Guidelines set out in Annex 2 hereto shall apply in respect of each Replacement made in relation to the Reference Portfolio.] or [The following criteria shall apply in respect of each Replacement made in relation to the Senior Reference Portfolio and the Junior Reference Portfolio respectively:

- (A) the Senior Portfolio Guidelines set out in Annex 2A hereto shall apply in respect of each Replacement made in relation to the Senior Reference Portfolio; and
- (B) the Junior Portfolio Guidelines set out in Annex 2B hereto shall apply in respect of each Replacement made in relation to the Junior Reference Portfolio.]

⁺ Keep for Issuer other than ARLO Limited

⁺⁺ Keep for ARLO Limited as the Issuer

3. **Fees**

3.1 *[Insert details of any fees payable to the Portfolio Manager.]*

4. **Trading Account**

4.1 *[Insert details of any trading account payments to be made to the Portfolio Manager.]*

5. **Duties of the Portfolio Manager**

In addition to the duties, delegations and functions of the Portfolio Manager set out in the Master Portfolio Management Agreement, the Portfolio Manager shall, in connection with the Reference Portfolio(s) relating to the Notes, perform such duties, obligations and functions specified for the Portfolio Manager in the Conditions of the Notes.

6. **Notice of Assignment**

The Issuer hereby gives notice to each of the other parties hereunder, and each of the other parties hereunder hereby acknowledges that it has notice, of the assignment by way of security in favour of the Trustee by the Issuer of all of its rights under the Portfolio Management Agreement under the Constituting Instrument relating to the Notes.

7. **[Other Provisions]**

[Insert details of any additional provisions and/or amendments to the Master Portfolio Management Agreement.]

ANNEX 1

REPLACEMENT PROCEDURES

[to be inserted when a Portfolio Management Confirmation is executed]

[ANNEX 2

PORTFOLIO GUIDELINES

[to be inserted when a Portfolio Management Confirmation is executed]

OR

[ANNEX 2A

SENIOR PORTFOLIO GUIDELINES

[to be inserted when a Portfolio Management Confirmation is executed]

[ANNEX 2B

JUNIOR PORTFOLIO GUIDELINES

[to be inserted when a Portfolio Management Confirmation is executed]

ANNEX 3

DEFINITIONS

[to be inserted when a Portfolio Management Confirmation is executed]

**SIGNED FOR AND ON BEHALF OF
[ARLO LIMITED / ADDITIONAL ISSUER]**

Authorised Signatory: _____

Name: _____

Title: _____

**SIGNED FOR AND ON BEHALF OF
SOLENT CAPITAL (GUERNSEY) LIMITED**

Authorised Signatory: _____

Name: _____

Title: _____

Authorised Signatory: _____

Name: _____

Title: _____

**SIGNED FOR AND ON BEHALF OF
SOLENT CAPITAL PARTNERS LLP**

Authorised Signatory: _____

Name: _____

Title: _____

Authorised Signatory: _____

Name: _____

Title: _____

**SIGNED FOR AND ON BEHALF OF
BNY CORPORATE TRUSTEE SERVICES LIMITED**

Authorised Signatory: _____

Name: _____

Title: _____

Authorised Signatory: _____

Name: _____

Title: _____

**SIGNED FOR AND ON BEHALF OF
BARCLAYS BANK PLC**

Authorised Signatory: _____

Name: _____

Title: _____

SCHEDULE 2: FORM OF DEED OF ADHERENCE

THIS DEED is made on [•]

BETWEEN

- (1) [•], a company incorporated [in/under the laws of] [•] under registered number [•] whose [registered/principal] office is at [•] (the "Additional Issuer");
- (2) **SOLENT CAPITAL (GUERNSEY) LIMITED** (the "Portfolio Manager"), a company with limited liability incorporated under the laws of Guernsey, whose registered office is at Ogier House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA, Channel Islands;
- (3) **SOLENT CAPITAL PARTNERS LLP** (the "Portfolio Adviser"), a limited liability partnership under the laws of United Kingdom, whose place of business is at 30 Charles II Street, London SW1Y 4AE, United Kingdom;
- (4) **BNY CORPORATE TRUSTEE SERVICES LIMITED** (the "Trustee"), a private limited company incorporated under the laws of England and Wales, acting through its offices at One Canada Square, London E14 5AL, United Kingdom; and
- (5) **BARCLAYS BANK PLC**, (the "Swap Counterparty"), acting through its offices at 5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom.

BACKGROUND:

- (A) On [•] 2006 ARLO Limited, the Portfolio Manager, the Portfolio Adviser, BNY Corporate Trustee Services Limited as Trustee and Barclays Bank PLC as Swap Counterparty entered into a master portfolio management agreement (the "Master Portfolio Management Agreement").
- (B) The Additional Issuer wishes to accede as an Issuer to the Master Portfolio Management Agreement.

NOW THIS DEED WITNESSES AND IT IS HEREBY AGREED AND DECLARED as follows:

1. The Additional Issuer shall hereby accede as an Issuer to the Master Portfolio Management Agreement.
2. The Additional Issuer hereby covenants and undertakes to adhere to and to be bound by the provisions of the Master Portfolio Management Agreement, and to perform the obligations imposed by the Master Portfolio Management Agreement which are to be performed on or after the date of this Deed, in all respects as if the Additional Issuer were a party to the Master Portfolio Management Agreement and named therein as an Issuer.
3. This Deed is made for the benefit of:
 - (A) the original parties to the Master Portfolio Management Agreement; and
 - (B) any other person or persons who, after the date of the Master Portfolio Management Agreement (and whether or not before or after the date of this Deed), adheres to the Master Portfolio Management Agreement.

4. The address and facsimile number of the Additional Issuer are as follows:

Address: [•]

Facsimile Number: [•]

For the attention of: [•]

5. This Deed shall be governed by and construed in accordance with English law.
6. The courts of England are to have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed.
7. Any proceeding, suit or action arising out of, or in connection with, this Deed must be brought in the English courts.
8. The Additional Issuer agrees that the documents which start any Proceedings (as defined in Clause 19 of the Master Portfolio Management Agreement) and any other documents required to be served in relation to those Proceedings may be served on [•] on its behalf. These documents may, however, be served in any other manner allowed by law.
9. A person who is not a party to this Deed has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of the Deed, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.
10. This Deed may be executed and delivered in any number of counterparts, all of which taken together shall constitute one and the same instrument.

IN WITNESS of which this Deed has been executed and delivered by the following parties on the date which first appears above:

THE ADDITIONAL ISSUER

EXECUTED as a DEED and delivered by
[INSERT NAME OF ADDITIONAL ISSUER]

By:

Name:

Title:

THE PORTFOLIO MANAGER

EXECUTED as a DEED and delivered by a duly authorised signatory of
SOLENT CAPITAL (GUERNSEY) LIMITED

By:

Name:

Title:

THE PORTFOLIO ADVISER

EXECUTED as a DEED and delivered by a duly authorised signatory of
SOLENT CAPITAL PARTNERS LLP

By:

Name:

Title:

THE TRUSTEE

EXECUTED as a DEED and delivered by a duly authorised signatory of
BNY CORPORATE TRUSTEE SERVICES LIMITED

By:

Name:

Title:

THE SWAP COUNTERPARTY

EXECUTED as a DEED and delivered by a duly authorised signatory of
BARCLAYS BANK PLC

By:

Name:

Title:

SIGNATURE PAGE OF MASTER PORTFOLIO MANAGEMENT AGREEMENT

THE INITIAL ISSUER

EXECUTED as a DEED and delivered by
ARLO LIMITED

By:

Name:

Title:

THE PORTFOLIO MANAGER

EXECUTED as a DEED and delivered by a duly authorised signatory of
SOLENT CAPITAL (GUERNSEY) LIMITED

By:

Name:

Title:

THE PORTFOLIO ADVISER

EXECUTED as a DEED and delivered by a duly authorised signatory of
SOLENT CAPITAL PARTNERS LLP

By:

Name:

Title:

THE TRUSTEE

EXECUTED as a DEED and delivered by a duly authorised signatory of
BNY CORPORATE TRUSTEE SERVICES LIMITED

By:

Name:

Title:

THE SWAP COUNTERPARTY

EXECUTED as a DEED and delivered by a duly authorised signatory of
BARCLAYS BANK PLC

By:

Name:

Title:

ANNEX 5: FORM OF PORTFOLIO MANAGEMENT CONFIRMATION

PORTFOLIO MANAGEMENT CONFIRMATION

12 December 2006

XELO II Public Limited Company (the “Issuer”) – Series 2006 (Spinnaker III Europe TRED 2 Series 1) Secured Limited Recourse Credit Linked Notes due 2016 (the “Notes”), issued pursuant to the Issuer’s U.S.\$5,000,000,000 Limited Recourse Programme for the issue of Notes and making of Alternative Investments

This portfolio management confirmation, including all annexes hereto (together, the “**Portfolio Management Confirmation**”) supplements, forms a part of and is subject to the master portfolio management agreement dated 21 November 2006 and made between ARLO Limited, the Portfolio Manager, the Portfolio Adviser, BNY Corporate Trustee Services Limited as Trustee and Barclays Bank PLC as Swap Counterparty and to which the Issuer has acceded pursuant to a Deed of Adherence dated 12 December 2006 (the “**Master Portfolio Management Agreement**”), and constitutes a “Portfolio Management Confirmation” in relation to the Notes specified above (but not in relation to any other Notes) for the purposes of the Master Portfolio Management Agreement.

This Portfolio Management Confirmation together with the Master Portfolio Management Agreement constitutes the portfolio management agreement in relation to the Notes and the Charged Agreement and references with respect to the Notes to the “Portfolio Management Agreement” shall be construed as references to the Master Portfolio Management Agreement as modified and/or supplemented by this Portfolio Management Confirmation.

Any terms used in this Portfolio Management Confirmation and not defined herein shall have the meanings ascribed to them in the Master Portfolio Management Agreement, the Conditions of the Notes and/or the Charged Agreement (as defined in the Conditions). All provisions contained in the Master Portfolio Management Agreement shall govern this Portfolio Management Confirmation except as expressly modified below. In the event of any inconsistency between the terms set out in this Portfolio Management Confirmation and the Master Portfolio Management Agreement, the terms of this Portfolio Management Confirmation shall prevail.

1. **Replacement Procedures**

The Replacement Procedures set out in Annex 1 hereto shall apply in respect of each Replacement made in relation to the Reference Portfolio.

2. **Replacement Guidelines**

The Portfolio Guidelines set out in Annex 2 hereto shall apply in respect of each Replacement made in relation to the Reference Portfolio

3. **Fees**

3.1 On each Portfolio Management Fee Payment Date (as defined in the Charged Agreement), the Issuer will pay the Portfolio Manager an amount equal to the Portfolio Management Fee payable in respect of the Portfolio Management Fee Calculation Period ending on or around such Portfolio Management Fee Payment Date.

3.2 The Portfolio Manager acknowledges and agrees that any payment obligation set out in this paragraph 3 of which it has the benefit shall be satisfied if payment is made on the

Issuer's behalf by any party to this Portfolio Management Confirmation, or any of their Affiliates, and the Portfolio Manager shall have no further recourse to the Issuer in respect of such obligation.

3.3 Definitions:

"Portfolio Management Fee" means with respect to any Portfolio Management Fee Calculation Period, an amount in the Settlement Currency determined by the Calculation Agent equal to :

(A) the product of the following for each day in such Portfolio Management Fee Calculation Period:

- (1) 0.10 per cent.;
- (2) the Final Redemption Amount for such day less an amount equal to the principal amount of all Notes redeemed or repurchased on or prior to such day, subject to a minimum of zero; and
- (3) $1/360$,

plus

(B) the product of the following for each day in such Portfolio Management Fee Calculation Period

- (1) 0.40 per cent.;
- (2) the Adjusted Notional Amount for such day less an amount equal to the principal amount of all Notes redeemed or repurchased on or prior to such day, subject to a minimum of zero; and
- (3) $1/360$.

4. **Trading Account**

If the Notes are redeemed in whole or part for any reason, and provided that the aggregate Cash Settlement Amounts determined in respect of the Notional Swap Confirmation (and as defined therein) as of or prior to the relevant date do not exceed the Adjusted Subordination Amount (as so defined) as of such date, the Issuer agrees to pay to the Portfolio Manager on (a) each Early Redemption Date, if applicable and/or (b) the Termination Date of the Credit Swap Confirmation (which forms part of the Charged Agreement), an amount in the Settlement Currency that bears the same proportion to an amount equal to 50 per cent. of the Trading Account Balance immediately prior to the redemption of such Notes as the principal amount of the Notes being so redeemed on such date bears to the outstanding Principal Amount of the Notes on such date (prior to such redemption on such date).

5. **Target Redemption Trigger Event**

The parties agree that the provisions of paragraph 28 of the Conditions of the Notes shall apply to the early redemption of the Notes upon the occurrence of a Target Redemption Trigger Event and the Swap Counterparty and the Portfolio Manager agree to perform the functions specified in respect of each of them in such paragraph. In particular, the Portfolio Manager agrees to perform its obligations under paragraph 28(iii)(b) and (c) of the Conditions of the Notes.

6. **Notice of Assignment**

The Issuer hereby gives notice to each of the other parties hereunder, and each of the other parties hereunder hereby acknowledges that it has notice, of the assignment by way of security in favour of the Trustee by the Issuer of all of its rights under the Portfolio Management Agreement under the Series 2006 (Spinnaker III Europe TRED 2 Series 1) Constituting Instrument relating to the Notes.

ANNEX 1

REPLACEMENT PROCEDURES

1. Definitions: Interpretation

- 1.1 Capitalized terms used herein and not otherwise defined in the confirmation of the Charged Agreement relating to the relevant Series (the “**Confirmation**”) shall have the meaning given to them in Annex 3.
- 1.2 The parties agree that the deadlines and time periods specified in Clause 2 hereof in respect of any Proposed Replacement are for guidance only and that if, in the prevailing circumstances, it is not in any particular case reasonably practicable for any party to comply precisely with any particular deadline, the Swap Counterparty and the Portfolio Manager shall use reasonable efforts to establish an alternative deadline or time period that is substantially consistent with the other provisions hereof.

2. Replacement Procedures

- 2.1 The Portfolio Manager may on any Notification Business Day during the Replacement Period propose to the Swap Counterparty by notice in writing to the Swap Counterparty’s Designated Persons (each such notice a “**Replacement Notice**”):

- (A) to remove one or more Reference Entities from the Reference Portfolio or to reduce the Reference Entity Notional Amounts with respect to one or more Reference Entities in the Reference Portfolio (a “**Replaced Entity**”); and
- (B) to include in the place thereof one or more Reference Entities or to increase the Reference Entity Notional Amount of one or more Reference Entities such that the Reference Portfolio Notional Amount is unchanged (a “**Replacement Entity**”),

(all the proposals comprised in such Replacement Notice together, a “**Proposed Replacement**”) provided that (i) a Replacement Notice received by a Designated Person of the Swap Counterparty prior to 10:00 a.m. in the Notification City on a Notification Business Day shall be effective on such Notification Business Day and (ii) a Replacement Notice received by a Designated Person of the Swap Counterparty after 10:00 a.m. in the Notification City on a Notification Business Day shall be effective on the next following London Business Day provided further that if a Replacement Notice is delivered in respect of a Reference Entity incorporated in Asia or Japan, then the related Replacement Notice shall always be deemed to be delivered on the next following London Business Day regardless of whether the Replacement Notice was delivered before or after 9:00 a.m. in the Notification City (the day a Replacement Notice is effective, the “**Replacement Notice Effective Day**”).

A Replacement Notice shall specify:

- (1) whether any Replaced Entity is a Credit Impaired Reference Entity;
- (2) legal names of each Replaced Entity and each Replacement Entity;
- (3) in respect of a Replacement Entity not comprised in the Reference Portfolio as of the time of the Proposed Replacement, specification if the Specified Reference Obligation to be chosen by the Swap Counterparty under Clause 2.2(A)(6) below in respect of such Replacement Entity should be senior or subordinated; and

- (4) in respect of:
- (i) a Replaced Entity, the amount by which the Reference Entity Notional Amount relating to such Replaced Entity should be reduced (such amount the “**Reduced Notional Amount**”); and
 - (ii) in respect of a Replacement Entity either the Reference Entity Notional for the new Reference Entity to be added to the Reference Portfolio or the amount by which the Reference Entity Notional Amount relating to such existing Reference Entity shall be increased (such amount the “**Increased Notional Amount**”),

all amounts referred to under (i) and (ii) above shall be expressed in the currency of the Reference Entity Notional Amount or as a percentage of the Reference Portfolio Notional Amount.

2.2 Upon effective delivery of a Replacement Notice by the Portfolio Manager:

- (A) At or prior to 2 pm in the Notification City on the Replacement Notice Effective Day (such date, the “**Replacement Compliance Date**”) the Swap Counterparty shall use reasonable efforts to notify the Portfolio Manager of the following information, in each case determined by the Swap Counterparty in its sole and absolute discretion on an indicative basis (collectively, the “**Indicative Replacement Information**”):
- (1) the Bid Spread for each Replacement Entity together with the date on which the single name credit default swap in relation to which the Bid Spread is being obtained is scheduled to terminate;
 - (2) the Offer Spread for each Replaced Entity together with the date on which the single name credit default swap in relation to which the Offer Spread is being obtained is scheduled to terminate;
 - (3) the Delta for each Replacement Entity;
 - (4) the Delta for each Replaced Entity;
 - (5) the Subordination Adjustment Amount in respect of the Proposed Replacement; and
 - (6) the Trading Account Adjustment Amount in respect of the Proposed Replacement; and
 - (7) the Specified Reference Obligation for each Replacement Entity.
- (B) Upon delivery of such Indicative Replacement Information by the Swap Counterparty the Portfolio Manager shall notify the Designated Person(s) of the Swap Counterparty immediately whether or not it wishes to proceed with the Proposed Replacement and whether it wishes to proceed with obtaining firm quotations in respect of the Proposed Replacement and, if so:
- (1) at or prior to 3 p.m. in the Notification City, the Portfolio Manager will, if it so elects, provide to the Swap Counterparty Bid Spread and/or Offer Spreads obtained by the Portfolio Manager from Approved Dealers in respect of any

Replacement Entity and/or Replaced Entity contained in the Replacement Notice provided in each case that such quotation shall remain firm and open for acceptance by the Swap Counterparty (each an “**Alternative Quotation**”); and

- (2) within 15 minutes of receiving such Alternative Quotations from the Portfolio Manager, the Swap Counterparty will refresh the Indicative Replacement Information provided pursuant to paragraphs (A)(1)-(6) above and notify the Portfolio Manager thereof (as so refreshed, the “**Firm Replacement Information**”).

Upon receipt of the Firm Replacement Information the Portfolio Manager shall immediately notify the Swap Counterparty whether it wishes to proceed with the relevant Replacement and whether it elects for Subordination Adjustment or Trading Account Adjustment to apply with respect thereto in accordance with (and subject to the restrictions set out in) Clause 3 below.

Such notification shall be deemed to be a representation and warranty by the Portfolio Manager that:

- (a) such Proposed Replacement complies with the Replacement Procedures and Portfolio Guidelines as of the Replacement Compliance Date; or
 - (b) if any of the Replaced Entities in respect of any Proposed Replacement is a Credit Impaired Reference Entity, the Proposed Replacement complies with the Replacement Procedures and Portfolio Guidelines (other than Clause 5 (*Compliance with Replacement Limit Criteria*) of the Portfolio Guidelines) as of the Replacement Compliance Date.
- (C) If the Portfolio Manager notifies a Designated Person of the Swap Counterparty in accordance with Clause 2.2(B) above that it wishes to proceed with the Proposed Replacement, then the Proposed Replacement shall become effective in accordance with Clause 2.4 below on the basis of the most favourable Bid Spread or Offer Spread as applicable with respect to each Replaced Entity and Replacement Entity (whether that be contained in the Firm Replacement Information or an Alternative Quotation provided by the Portfolio Manager) *provided that* such Proposed Replacement shall only take effect on the basis of Alternative Quotations if the Swap Counterparty, having made all reasonable efforts, is able to enter into the relevant credit default swaps for the relevant size and tenor with:
- (1) the relevant Approved Dealers at levels identical to the Alternative Quotations provided by the Portfolio Manager; or
 - (2) at the sole and absolute discretion of the Swap Counterparty, at levels equal to or more favourable than the Alternative Quotations provided by the Portfolio Manager.

2.3 If:

- (A) the Portfolio Manager fails to provide any notice in accordance with Clause 2.2(B) above (as determined by the Swap Counterparty) as to whether it wishes to proceed with the Proposed Replacement; or

- (B) the Portfolio Manager, pursuant to Clause 2.2(B) as above, notifies the Swap Counterparty that it does not wish to proceed with the Proposed Replacement; or
- (C) the Swap Counterparty notifies the Portfolio Manager that the Proposed Replacement does not comply with any of the Replacement Procedures or Portfolio Guidelines (provided that, for the avoidance of doubt, the Swap Counterparty shall have no obligation to determine whether the Proposed Replacement so complies and shall be entitled to rely on the representation and warranty given by the Portfolio Manager in paragraph (B) above);

then the Proposed Replacement shall not become a Replacement (each such Proposed Replacement being an “**Ineffective Replacement**”) and no Subordination Adjustment Amount or Trading Account Adjustment Amount shall be determined and no adjustment to the Adjusted Subordination Amount shall be effected in respect of any such Ineffective Replacement. None of the Swap Counterparty, the Issuer or the Calculation Agent or any of their Affiliates shall have any liability or responsibility to any persons (including, without limitation, any holder of Notes or the Trustee) in respect of such Ineffective Replacement or the failure to give effect to such Proposed Replacement.

2.4 If the Portfolio Manager notifies the Swap Counterparty that it wishes to proceed with the Proposed Replacement pursuant to Clause 2.2(B) above then the Proposed Replacement shall become effective as of the related Replacement Date in respect of such Replacement, (each Proposed Replacement that complies with the foregoing and as agreed between the Portfolio Manager and the Swap Counterparty in accordance with the procedures set out in herein, a “**Replacement**”) and as of the relevant Replacement Date:

- (A) each Replaced Entity in respect of such Proposed Replacement shall cease to be a Reference Entity or, as applicable, its Reference Entity Notional Amount shall be reduced by the relevant Reduced Notional Amount, in each case, as of the related Replacement Date; and
- (B) each Replacement Entity relating to such Proposed Replacement shall constitute a Reference Entity or, as applicable, its Reference Entity Notional Amount shall be increased by the relevant Increased Notional Amount, in each case as of the related Replacement Date; and
- (C) an amount determined pursuant to Clause 3 below shall be credited to (or, as the case may be, debited from) the Trading Account or, as applicable, the Adjusted Subordination Amount shall be adjusted in accordance with Clause 3 below, in each case as of the Replacement Date relating to the relevant Replacements.

2.5 The next London Business Day after a Replacement, the Swap Counterparty shall notify the Issuer, the Portfolio Manager of the Subordination Adjustment Amount or, as applicable, the Trading Account Adjustment Amount.

2.6 Within a reasonable period following the Replacement Date in respect of a Replacement, the Calculation Agent shall use its reasonable endeavours (taking into account the prevailing circumstances) to deliver a copy of the Reference Portfolio Annex, as amended to reflect such Replacement, to the Portfolio Manager and the Issuer (copied to the Principal Paying Agent and the Trustee), provided that failure so to deliver (or to copy) an amended copy of the Reference Portfolio Annex shall not in any way affect the effectiveness of such Replacement or the amendment of the Reference Portfolio.

- 2.7 The Portfolio Manager acknowledges and agrees that, in respect of any Proposed Replacement:
- (A) the Portfolio Manager shall be solely responsible for determining compliance with the Replacement Procedures and the Portfolio Guidelines;
 - (B) the Swap Counterparty shall be entitled to rely on the deemed representations and warranties given under Section 2.2(B); and
 - (C) any Proposed Replacement which becomes a Replacement under Section 2.4 shall be an effective Replacement notwithstanding any subsequent discovery that such Replacement did not in fact comply with the Portfolio Guidelines.
- 2.8 The Portfolio Manager shall be solely responsible for compliance with the Replacement Procedures and Portfolio Guidelines. The Swap Counterparty shall be entitled (but not obligated) to confirm whether each Replacement complies with the Replacement Procedures and Portfolio Guidelines or, if not in compliance, whether such Replacement does not increase the extent of such non-compliance, and the Swap Counterparty's determination and interpretation thereof shall be binding in the absence of manifest error.
- 2.9 If the Swap Counterparty, in breach of Clause 2.2(A), fails (other than by reason of force majeure) to deliver the Indicative Replacement Information to the Portfolio Manager following the effective delivery of a Replacement Notice to the Swap Counterparty in accordance with Clause 2.1 and the Proposed Replacement complies with the Replacement Procedures and Portfolio Guidelines, then the Portfolio Manager shall not be liable for the failure of such Proposed Replacement to become a Replacement.

3. **Adjustments to the Adjusted Subordination Amount and the Trading Account as a consequence of Replacements**

If in respect of a Replacement there is a Trading Gain then the Portfolio Manager shall by notice to the Swap Counterparty elect whether (a) an amount equal to such Trading Gain shall be credited to the Trading Account or (b) the Adjusted Subordination Amount shall be increased by the relevant Subordination Adjustment Amount.

If in respect of a Replacement there is a Trading Loss then the Portfolio Manager shall by notice to the Swap Counterparty elect whether (a) an amount equal to such Trading Loss shall be debited from the Trading Account (provided that the Portfolio Manager shall only be permitted to make such election if the Trading Account Balance immediately prior to the relevant Replacement Date is greater than the relevant Trading Loss or (b) the Adjusted Subordination Amount shall be reduced by the relevant Subordination Adjustment Amount (provided that the Portfolio Manager shall only be permitted to make such election if the Swap Counterparty confirms that it can fully take into account the relevant Replacement through a reduction to the Adjusted Subordination Amount).

For purposes hereof, an election under either paragraph (a) above shall be referred to as "**Trading Account Adjustment**" and an election under either paragraph (b) above shall be referred to as "**Subordination Adjustment**".

4. **Restrictions on Replacements**

In respect of a Proposed Replacement, the Swap Counterparty may be unable to undertake such replacement where they are subject to legal and regulatory restrictions. In such circumstances the Swap Counterparty will notify the Portfolio Manager as soon as reasonably practical.

ANNEX 2

PORTFOLIO GUIDELINES

1. **Reference Portfolio Notional Amount Criteria**

Immediately after giving effect to a Replacement, the Reference Portfolio Notional Amount shall be the same as the Reference Portfolio Notional Amount in effect prior to giving effect to all such Replacements.

2. **Reference Entity Notional Amount**

The Reference Entity Notional Amount in respect of any Reference Entity comprised in the Reference Portfolio immediately after any Replacement shall not be (i) smaller than 0.5% and (ii) higher than 1.5% of the Initial Reference Portfolio Notional Amount.

3. **Compliance with Replacement Entity Criteria**

In respect of a Replacement, each Replacement Entity shall comply with the Replacement Entity Criteria as of the Replacement Compliance Date in respect of such Replacement.

4. **Compliance with Replaced Entity Criteria**

In respect of each Replacement, the Replaced Entity shall comply with the Replaced Entity Criteria as of the Replacement Compliance Date in respect of such Replacement.

5. **Compliance with Replacement Limit Criteria**

In any Annual Period the sum of the Reference Entity Notional Amounts of all Replaced Entities which are the subject of Replacements must not exceed 30% of the Reference Portfolio Notional Amount; provided that a Replacement does not need to satisfy this criterion if (i) the Annual Period is less than 365 days (in which case such requirement shall apply on a pro-rated basis) or (ii) the Replaced Entity in respect of such Replacement is a Credit Impaired Reference Entity.

6. **Portfolio Criteria**

On the Replacement Compliance Date, assuming all the proposed replacements specified in the relevant Replacement Notice were deemed to take effect as of such day:

- (A) the Industry Concentration Percentage in respect of any Industry Group shall not exceed 18%;
- (B) the Western Europe Concentration Percentage shall not be less than 20% nor greater than 80%, the North American Concentration Percentage shall not be less than 20% nor greater than 80%, the Emerging Market Concentration Percentage shall not be less than 0% nor greater than 10% and the Other Jurisdiction Concentration Percentage shall not be greater than 10%;
- (C) the sum of all Reference Entity Notional Amounts with respect to all High Yield Reference Entities shall not exceed 15% of the Reference Portfolio Notional Amount as of such date (or, if such sum is already in excess of 15%, the relevant percentage shall not be increased); and

- (D) the sum of the three highest Industry Concentration Percentages shall not exceed 45% of the Reference Portfolio Notional Amount as of such day;

(collectively, the “**Portfolio Criteria**”).

7. **Spread Criteria**

- (A) The 5 year bid spread as determined by the Swap Counterparty of a Replacement Entity shall not exceed 8% per annum; and

- (B) a Replacement Entity must not be an Upfront Quotation Reference Entity;

(collectively, the “**Spread Criteria**”).

ANNEX 3

DEFINITIONS

1. Definitions

The following terms have the following meanings:

“Annual Period” means the 12-month period commencing on the first day of the Replacement Period and each 12-month period thereafter commencing on an anniversary of such first day. The last Annual Period shall end on the last day of the Replacement Period.

“Approved Dealers” means any of:

1. ABN AMRO Bank NV
2. Bank of America NA
3. Barclays Bank PLC
4. Bear Stearns International Limited
5. BNP Paribas
6. CALYON
7. Citigroup Global Markets Ltd
8. Commerzbank AG
9. Credit Suisse
10. Deutsche Bank AG
11. Dresdner Bank AG
12. Fortis Bank
13. Goldman Sachs International
14. HSBC Bank Plc
15. JPMorgan Chase Bank, N.A.
16. Lehman Brothers Special Financing Inc.
17. Merrill Lynch International
18. Morgan Stanley Capital Services
19. Société Générale
20. UBS Limited
21. The Royal Bank of Scotland PLC
22. Wachovia Corporation

“Asia” means the People’s Republic of China, the Hong Kong Special Administrative Region, the Republic of Indonesia, the Republic of Korea, Malaysia, the Islamic Republic of Pakistan, the Republic of Singapore, the Republic of China, the Republic of the Philippines, the Kingdom of Thailand and the Socialist Republic of Vietnam.

“Bid Spread” means, in respect of a Replacement Entity and a Replacement, the bid price specified on the Replacement Compliance Date in respect of such Replacement Entity by the Structured Credit Desk of the Swap Counterparty or, as applicable, an Approved Dealer for the purchase by the Swap Counterparty of credit protection with respect to that Replacement Reference Entity under a single name credit default swap, on market standard terms (as determined by the Calculation Agent), scheduled to terminate on the date specified by the Swap Counterparty in the Indicative Replacement Information or the Firm Replacement Information, as the case may be, and in respect of a notional amount specified by the Structured Credit Desk of the Swap Counterparty in its sole discretion.

“Credit Impaired Reference Entity” means a Reference Entity which, in the reasonable commercial opinion of the Portfolio Manager, has or is likely to decline materially in credit quality or to default on its obligations since the time of its inclusion in the Reference Portfolio.

“Delta” means, in respect of a Replacement and a related Replaced Entity or related Replacement Entity, a notional amount between zero and the Reference Entity Notional Amount of such Replaced Entity or Replacement Entity, as the case may be, specified by the Structured Credit Desk of the Swap Counterparty in its sole discretion on the Replacement Compliance Date in connection with such Replacement.

“Designated Persons” means Heikki Monkkonen or Dev Roy (tel: +44 20 7773 8273) and such other individual(s) identified from time to time by written or telephonic notice of the Swap Counterparty to the Portfolio Manager. The Swap Counterparty may also notify the Portfolio Manager that one or more persons are no longer Designated Persons, provided that there shall always be one Designated Person.

“Emerging Market” means the Republic of Bulgaria, the Republic of Croatia, the Republic of Poland, the Republic of Romania, the Russian Federation, the Slovak Republic, the Republic of Turkey, the Arab Republic of Egypt, the State of Israel, the Lebanese Republic, the State of Qatar, the Republic of Argentina, the Federative Republic of Brazil, the Republic of Chile, the Republic of Colombia, the Republic of Costa Rica, the Republic of Ecuador, the Republic of El Salvador, the Republic of Guatemala, the United Mexican States, the Republic of Panama, the Republic of Peru, the Oriental Republic of Uruguay, the Bolivarian Republic of Venezuela and the Republic of South Africa.

“Emerging Market Concentration Percentage” means, in respect of the Reference Portfolio as of any Replacement Date, the rate (expressed as a percentage as of such date) equal to the aggregate of the Reference Entity Notional Amounts of all Emerging Market Reference Entities (excluding for this purpose any such Reference Entities in respect of which an Event Determination Date has occurred on or prior to such day) divided by the Reference Portfolio Notional Amount.

“Emerging Market Reference Entity” means a Reference Entity that is incorporated or organised in (or a political subdivision of) an Emerging Market.

“Fitch” means Fitch Ratings Limited (or any successor to the ratings business thereof).

“High Yield Rating” means a rating equal to or lower than Ba1 by Moody’s or BB+ by S&P or Fitch, as the case may be.

“High Yield Reference Entity” means a Reference Entity which is rated by one or more of Moody’s, S&P and Fitch and which at the relevant time has been assigned High Yield Ratings by all the relevant rating agencies rating it.

“Industry Concentration Percentage” means, in respect of the Reference Portfolio as of any Replacement Compliance Date and an Industry Group, the rate expressed as a percentage as of such date, equal to the aggregate of the Reference Entity Notional Amounts of all Reference Entities in the same Industry Group *divided* by the Reference Portfolio Notional Amount as of such Replacement Compliance Date.

“Industry Groups” means S&P’s Industry Classification Group Categories, as defined by S&P as at the Effective Date and set out in the table below, subject to any amendments as may be publicly announced by S&P from time to time:

| | |
|----|--------------------------------------|
| 1 | Aerospace & Defence |
| 2 | Air transport |
| 3 | Automotive |
| 4 | Beverage & Tobacco |
| 5 | Radio & Television |
| 6 | Brokers, Dealers & Investment houses |
| 7 | Building & Development |
| 8 | Business equipment & services |
| 9 | Cable & satellite television |
| 10 | Chemicals & plastics |
| 11 | Clothing/textiles |
| 12 | Conglomerates |
| 13 | Containers & glass products |
| 14 | Cosmetics/toiletries |
| 15 | Drugs |
| 16 | Ecological services & equipment |
| 17 | Electronics/electrical |
| 18 | Equipment leasing |
| 19 | Farming/agriculture |
| 20 | Financial intermediaries |
| 21 | Food/drug retailers |
| 22 | Food products |
| 23 | Food service |
| 24 | Forest products |
| 25 | Health care |
| 26 | Home furnishings |
| 27 | Lodging & casinos |
| 28 | Industrial equipment |
| 29 | Insurance |
| 30 | Leisure goods/activities/movies |
| 31 | Nonferrous metals/minerals |
| 32 | Oil & gas |
| 33 | Publishing |
| 34 | Rail industries |
| 35 | Retailers (except food & drug) |
| 36 | Steel |
| 37 | Surface transport |
| 38 | Telecommunications |
| 39 | Utilities |
| 40 | Reserve |

“London Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

“Moody’s” means Moody’s Investors Service Limited (or any successor to the ratings business thereof).

“North America” means the United States of America, Canada and Bermuda.

“North American Concentration Percentage” means, in respect of the Reference Portfolio as of any Replacement Compliance Date, the rate expressed as a percentage, equal to the aggregate of the Reference Entity Notional Amounts of all North American Reference Entities (excluding for this purpose any such Reference Entities in respect of

which an Event Determination Date has occurred on or prior to such day) divided by the Reference Portfolio Notional Amount as of such Replacement Compliance Date.

“North American Reference Entities” mean Reference Entities incorporated or organised in (or political subdivisions of) North America.

“Notification Business Day” means a day on which a Designated Person of the Swap Counterparty receives a Replacement Notice from the Portfolio Manager provided that if such day falls on a day which is not a London Business Day, then the Notification Business Day shall be the next following London Business Day.

“Notification City” means London.

“Offer Spread” means, in respect of a Replaced Entity and a Replacement, the offer price specified on the Replacement Compliance Date in respect of such Replaced Entity by the Structured Credit Desk of the Swap Counterparty or, as applicable, an Approved Dealer, for the sale by the Swap Counterparty of credit protection with respect to that Replaced Entity under a single name credit default swap, on market standard terms (as determined by the Calculation Agent), scheduled to terminate on the date specified by the Swap Counterparty in the Indicative Replacement Information or the Firm Replacement Information, as the case may be, and in respect of a notional amount equal to the relevant Delta.

“Other Jurisdiction Concentration Percentage” means, in respect of the Reference Portfolio as of any Replacement Compliance Date, the rate expressed as a percentage equal to the aggregate of the Reference Entity Notional Amounts of all Reference Entities which are not North American Reference Entities or Western European Reference Entities (excluding for this purpose any such Reference Entities in respect of which an Event Determination Date has occurred on or prior to such day) divided by the Reference Portfolio Notional Amount as of such Replacement Compliance Date.

“Portfolio Guidelines” means the guidelines set out in Annex 2.

“Rating Agency” means S&P.

“Reference Portfolio Notional Amount” means, on any day, the sum of all Reference Entity Notional Amounts as of such date less, with respect to all Reference Entities as to which an Event Determination Date has occurred on or prior to such day, the aggregate of the Reference Entity Notional Amounts for such Reference Entities.

“Replaced Entity Criteria” means, in respect of a Replaced Entity and a Replacement, that, unless otherwise agreed by the Swap Counterparty, such Replaced Entity:

- (1) is not the subject of a Credit Event or a Potential Failure to Pay or a Potential Repudiation/Moratorium; and
- (2) is not the subject of a default, event of default or other similar condition or event (however described) or event or condition which (with the giving of notice or the lapse of time or both) would constitute a default, event of default or other similar condition or event (however described) under its obligations for Borrowed Money.

“Replacement Date” means, in respect of a Proposed Replacement, the calendar day immediately following the Replacement Notice Effective Date in respect of such Proposed

Replacement, unless otherwise designated by the Swap Counterparty to the Portfolio Manager in telephonic or written notice.

“Replacement Entity Criteria” means, in respect of a Replacement Entity and the relevant Replacement, that such Replacement Entity:

- (1) has an S&P Rating of at least BB-;
- (2) is (i) within one of the Industry Groups and (ii) a Reference Entity actively traded in the credit default swap market in a size and a tenor equal to the relevant Delta;
- (3) is not the subject of a Credit Event or a Potential Failure to Pay or a Potential Repudiation/Moratorium, to be determined as if such entity were a Reference Entity;
- (4) is not the subject of a default, event of default or other similar condition or event (however described) or event or condition which (with the giving of notice or the lapse of time or both) would constitute a default, event of default or other similar condition or event (however described) under its obligations for Borrowed Money;
- (5) is not a special purpose entity (however formed, whether as a corporation, trust, partnership or otherwise) or an issuer of asset backed securities as determined by the Swap Counterparty in each case unless otherwise agreed in writing by the Portfolio Manager and the Swap Counterparty;
- (6) does not have a Reference Entity Notional Amount lower than 0.5% or higher than 1.5%, in each case of the Reference Portfolio Notional Amount;
- (7) is not the Portfolio Manager or an Affiliate of the Portfolio Manager is not the Swap Counterparty or an Affiliate of the Swap Counterparty and is not a Reference Entity or an Affiliate of any Reference Entity.

“Replacement Period” means the period beginning on and including the Effective Date and ending on and including the earlier of (i) the Target Redemption Event Date, if any, and (ii) the date that is 3 calendar months before the Scheduled Termination Date.

“Replacement Procedures” means the procedures in respect of a Replacement that are set out in Annex 1 hereto.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc (or any successor to the ratings business thereof).

“S&P Rating” means, with respect to any Reference Entity, the rating determined as follows (subject to adjustment in accordance with the then current guidelines of S&P):

- (1) if the Reference Entity has a long term foreign issuer credit rating from S&P, such rating, provided that if the Reference Entity is on credit watch negative by S&P, the S&P Rating shall be one notch below such rating;
- (2) if the Reference Entity does not have a long term foreign issuer credit rating from S&P, but has an issue credit rating from S&P, the rating determined in accordance with the then current guidelines of S&P;

- (3) if the Reference Entity is any of (i) Federal National Mortgage Association, (ii) Federal Home Loan Mortgage Association and (iii) Government National Mortgage Association, the S&P Rating shall be the issue credit rating assigned to the subordinated debt of such Reference Entity;
- (4) if the Reference Entity does not have a long term foreign issuer credit rating or an issue credit rating from S&P but does have such a rating from Moody's, the S&P Rating shall be:
- (5) if the Moody's rating is Baa3 or above, one notch below the S&P rating corresponding to such Moody's rating; or
- (6) if the Moody's rating is Ba1 or below, two notches below the S&P rating corresponding to such Moody's rating;

provided, however, that if the Reference Entity is on credit watch negative by Moody's, the S&P Rating shall be one notch below the rating determined pursuant to (i) and (ii) above; and

- (7) if the Reference Entity is either (i) unrated by S&P and Moody's or (ii) a Sovereign Reference Entity unrated by S&P, the S&P Rating shall be the credit assessment provided by S&P, or if there is no such credit assessment, the S&P Rating shall be "CCC-".

"Sovereign" means, when referred to in the Transaction Type Annex or in respect of a Transaction Type, any or all of Asian Sovereign, Emerging Market Sovereign, Japanese Sovereign and Western European Sovereign.

"Structured Credit Desk" means the structured credit derivatives desk of the Swap Counterparty located in London (or such other place identified by the Swap Counterparty).

"Subordination Adjustment Amount" means, in respect of a Replacement for which there is a Trading Gain or a Trading Loss and in respect of which the Portfolio Manager elects that Subordination Adjustment shall apply, the amount (determined by the Swap Counterparty in its sole discretion by reference to its then current models used to calculate subordination adjustment amounts for purposes of similar transactions and which determination shall be conclusive absent manifest error), which may be positive or negative, by which the Adjusted Subordination Amount would need to be altered so that the value of the Transaction to the Swap Counterparty immediately before giving effect to such Replacement is equal to the value of the Transaction to the Swap Counterparty immediately after giving effect to such Replacement.

"Trading Gain" means, in respect of a Replacement, the positive mark-to-market change for the Swap Counterparty resulting from such Replacement, as determined by the Swap Counterparty in its sole discretion by reference to the Bid Spreads, Offer Spreads and the Deltas in relation to such Replacement, without, for such purpose, taking into account any Subordination Adjustment Amount in respect of the relevant Replacement.

"Trading Loss" means, in respect of a Replacement, the negative mark-to-market change for the Swap Counterparty resulting from such Replacement, as determined by the Swap Counterparty in its sole discretion by reference to the Bid Spreads, Offer Spreads and the Deltas in relation to such Replacement, without, for such purpose, taking into account any Subordination Adjustment Amount in respect of the relevant Replacement.

“Upfront Quotation Reference Entity” means an entity for which quotations in respect of a credit default swap transaction with the relevant characteristics required at the time of a Replacement are available on an only on the basis that the protection buyer pays an upfront amount (in substitution for the payment of periodic amounts).

“Western Europe” means the Republic of Austria, the Kingdom of Belgium, the Kingdom of Denmark, the Republic of Finland, the Republic of France, the Federal Republic of Germany, the Hellenic Republic, the Republic of Ireland, the Republic of Italy, the Grand Duchy of Luxembourg, the Kingdom of the Netherlands, the Republic of Portugal, the Kingdom of Spain, the Kingdom of Sweden, the confederation of Switzerland and the United Kingdom of Great Britain and Northern Ireland.

“Western Europe Concentration Percentage” means, in respect of the Reference Portfolio as of any Replacement Compliance Date, the rate expressed as a percentage as of such date, equal to the aggregate of the Reference Entity Notional Amounts of all Western European Reference Entities (excluding for this purpose any such Reference Entities in respect of which an Event Determination Date has occurred on or prior to such day) divided by the Reference Portfolio Notional Amount as of such Replacement Compliance Date.

“Western European Reference Entities” mean Reference Entities incorporated or organised in (or political subdivisions of) Western Europe.

2. **Interpretation**

References in the Replacement Procedures and Portfolio Guidelines and/or in this Annex 3 to a “Clause” shall mean the relevant Clause herein unless otherwise specified. The interpretation and construction of any defined terms or provisions used in the Confirmation or the annexes shall be made by the Swap Counterparty in good faith and a commercially reasonable manner and any conflict or ambiguity in or among such terms or provisions and any inferences that may be required to be made in order to give effect to the terms and conditions used in the Confirmation and/or the annexes shall be made and/or resolved by the Swap Counterparty in good faith and a commercially reasonable manner and any such determination or resolution by it shall be binding absent manifest error.

**SIGNED FOR AND ON BEHALF OF
XELO II PUBLIC LIMITED COMPANY**

Authorised Signatory: _____

Name: _____

Title: _____

**SIGNED FOR AND ON BEHALF OF
SOLENT CAPITAL (GUERNSEY) LIMITED**

Authorised Signatory: _____

Name: _____

Title: _____

Authorised Signatory: _____

Name: _____

Title: _____

**SIGNED FOR AND ON BEHALF OF
SOLENT CAPITAL PARTNERS LLP**

Authorised Signatory: _____

Name: _____

Title: _____

Authorised Signatory: _____

Name: _____

Title: _____

**SIGNED FOR AND ON BEHALF OF
BNY CORPORATE TRUSTEE SERVICES LIMITED**

Authorised Signatory: _____

Name: _____

Title: _____

Authorised Signatory: _____

Name: _____

Title: _____

**SIGNED FOR AND ON BEHALF OF
BARCLAYS BANK PLC**

Authorised Signatory: _____

Name: _____

Title: _____

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as to English and U.S. law and the Trustee as
to English law*

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To the Issuer as to Irish law

A&L Goodbody

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Dublin 1
Ireland