Gemstone CDO VI Ltd.
Gemstone CDO VI Corp.
U.S.$446,250,000 Class A-1 Floating Rate Notes Due August 2046
U.S.$78,750,000 Class A-2 Floating Rate Notes Due August 2046
U.S.$66,500,000 Class B Floating Rate Notes Due August 2046
U.S.$26,000,000 Class C Floating Rate Deferrable Interest Notes Due August 2046
U.S.$35,250,000 Class D Floating Rate Deferrable Interest Notes Due August 2046
U.S.$10,500,000 Class E Floating Rate Deferrable Interest Notes Due August 2046

Secured by a Portfolio of Asset-Backed Securities

Gemstone CDO VI Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands (the "Issuer"), and Gemstone CDO VI Corp., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Issuers"), will issue U.S.$446,250,000 Class A-1 Floating Rate Notes Due August 2046 (the "Class A-1 Notes"), U.S.$78,750,000 Class A-2 Floating Rate Notes Due August 2046 (the "Class A-2 Notes") and, together with the Class A-1 Notes, the "Class A Notes"), U.S.$66,500,000 Class B Floating Rate Notes Due August 2046 (the "Class B Notes"), U.S.$26,000,000 Class C Floating Rate Deferrable Interest Notes Due August 2046 (the "Class C Notes"), U.S.$35,250,000 Class D Floating Rate Deferrable Interest Notes Due August 2046 (the "Class D Notes") and U.S.$10,500,000 Class E Floating Rate Deferrable Interest Notes Due August 2046 (the "Class E Notes" and, together with the Class A Notes, Class B Notes, Class C Notes and Class D Notes, the "Notes"). The Notes will be issued and secured pursuant to an Indenture dated as of August 17, 2006 (the "Indenture"), among the Issuer, the Co-Issuer and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"). The Collateral securing the Notes will be managed by HBK Investments L.P. (the "Collateral Manager").

This document constitutes a prospectus under the Prospectus Directive. The "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and of the Council of November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading. Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for the prospectus to be approved. Application has been made to the Irish Stock Exchange to admit the Notes to the Official List and trading on its regulated market. Such approval relates only to Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. There can be no assurance that such admission will be granted. No application will be made to list the Notes on any other stock exchange.

Investing in the Notes involves risks. See "Risk Factors" starting on page 15.

The Pledged Assets of the Issuer are the Sole Source of Payments on the Notes. The Notes do not represent an interest in or obligations of, and are not insured or guaranteed by, the Trustee, the Collateral Manager, Lehman Brothers Inc. ("Lehman") and Lehman Brothers International (Europe) ("LBIE" and, together with Lehman the "Initial Purchasers"), any of their respective affiliates or any other person or entity.

The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), under applicable state securities laws or under the laws of any other jurisdiction. Neither the Issuer nor the Co-Issuer is or will be registered under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"), in reliance upon the exclusion provided by Section 3(c)(7) thereof. The Notes are being offered (A) in the United States in reliance upon an exemption from the registration requirements of the Securities Act (i) provided by Section 4(2) thereof to a limited number of institutional accredited investors within the meaning of Rule 506(a)(1), (2), (3) or (7) under the Securities Act, or (ii) pursuant to Rule 144A under the Securities Act ("Rule 144A") to qualified institutional buyers (as defined in Rule 144A), and (B) outside the United States to persons who are not U.S. persons (as defined in Regulation S) in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S") and, in each case, in accordance with applicable laws. The Notes may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except to qualified purchasers (within the meaning of the Investment Company Act and the rules thereunder). Each purchaser of Notes will be deemed to have made or will be required to make certain acknowledgments, representations and agreements as set forth under "Transfer Restrictions." A Transfer of Notes (or any interest therein) is subject to certain restrictions described herein, including that no sale, pledge, transfer or exchange will be made in a denomination less than the required minimum denomination. See "Transfer Restrictions."

The Notes are offered by the Initial Purchasers at varying prices determined in each case at the time of sale, subject to prior sale, when, as and if issued, the approval of certain legal matters by counsel and the satisfaction of certain other conditions. The Initial Purchasers reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that the Notes will be delivered on or about August 17, 2006 (the "Closing Date") through the facilities of The Depository Trust Company ("DTC"), Euroclear Bank S.A./N.V., and Clearstream Banking, société anonyme, against payment therefor in immediately available funds. It is a condition to the issuance of each of the Notes that all of the Notes and the Preference Shares be issued concurrently.

Lehman Brothers
The date of this Offering Circular is September 12, 2006
Concurrently with the issuance of the Notes, the Issuer will issue 36,750 Preference Shares pursuant to the Memorandum and Articles of Association of the Issuer (the "Issuer Charter") and in accordance with a Preference Share Paying Agency Agreement dated as of August 17, 2006 (the "Preference Share Paying Agency Agreement"), among the Issuer, Deutsche Bank Trust Company Americas, acting through an affiliate or agent outside the United States as preference share paying agent and preference share transfer agent (in such capacities, the "Preference Share Paying Agent" and the "Preference Share Transfer Agent") and Maples Finance Limited as the share registrar (in such capacity, the "Share Registrar"). The Preference Shares are not offered pursuant to this Offering Circular.

Interest on the Notes will be payable in U.S. dollars in arrears on each Payment Date. Payments of principal of and interest on the Notes on any Distribution Date will be made if and to the extent that funds are available on such Distribution Date in accordance with the Priority of Payments set forth herein. See "Description of the Notes—Interest," "—Principal" and "—Priority of Payments." The principal of the Notes is payable on each Distribution Date and is required to be paid by their applicable Stated Maturity, unless redeemed or repaid prior thereto. See "Description of the Notes—Principal."

The Notes are subject to redemption under the circumstances described under "Description of the Notes—Mandatory Redemption," "—Auction Call Redemption," "—Optional Redemption," "—Clean-Up Call Redemption" and "—Tax Redemption.

The Notes offered by the Issuers in the United States will be offered in reliance on an exemption from the registration requirements of the Securities Act and will be represented by one or more global notes ("Restricted Global Notes") in fully registered form without interest coupons attached, deposited with, and registered in the name of, DTC (or its nominee). The Notes offered by the Issuers outside the United States will be offered in reliance upon Regulation S under the Securities Act and initially will be represented by one or more temporary global notes ("Temporary Regulation S Global Notes"), that will be exchangeable for one or more permanent global notes ("Permanent Regulation S Global Notes") and, together with the Temporary Regulation S Global Notes, the "Regulation S Global Notes") in fully registered form without interest coupons attached, deposited with, and registered in the name of, DTC (or its nominee), initially for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear system ("Euroclear"), and/or Clearstream Banking, société anonyme ("Clearstream"). Until and including the 40th day after the later of the commencement of the offering and the Closing Date (the "Distribution Compliance Period"), beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream. Except in the limited circumstances described herein, certificated notes will not be issued in exchange for beneficial interests in a global note. See "Description of the Notes—Form, Denomination, Registration and Transfer."

NOTWITHSTANDING ANY OTHER EXPRESS OR IMPLIED AGREEMENT TO THE CONTRARY, THE ISSUER, THE COLLATERAL MANAGER AND EACH RECIPIENT HEREOF AGREE THAT EACH OF THEM AND EACH OF THEIR EMPLOYEES, REPRESENTATIVES, AND OTHER AGENTS MAY DISCLOSE, IMMEDIATELY UPON COMMENCEMENT OF DISCUSSIONS, TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTION AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO ANY OF THEM RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE, EXCEPT WHERE CONFIDENTIALITY IS REASONABLY NECESSARY TO COMPLY WITH U.S. FEDERAL, STATE, OR CAYMAN ISLANDS SECURITIES LAWS. FOR PURPOSES OF THIS PARAGRAPH, THE TERMS "TAX", "TAX TREATMENT", "TAX STRUCTURE", AND "TAX BENEFIT" ARE DEFINED UNDER TREASURY REGULATION § 1.6011-4(c).

In this Offering Circular, references to "U.S. Dollars," USD," "Dollars" and "U.S.$" are to United States dollars.
NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NOTICE TO PURCHASERS

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE. THE NOTES ARE TO BE PURCHASED FOR INVESTMENT ONLY AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED BY AN INVESTOR DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OF U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY NOTES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY SECTION 4(2) OF THE SECURITIES ACT, RULE 144A OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT. FOR CERTAIN RESTRICTIONS ON RESALE, SEE "DESCRIPTION OF THE NOTES—FORM, DENOMINATION, REGISTRATION AND TRANSFER." A TRANSFER OF NOTES IS SUBJECT TO THE RESTRICTIONS DESCRIBED HEREIN, INCLUDING THAT NO SALE, PLEDGE, TRANSFER OR EXCHANGE MAY BE MADE OF A NOTE (1) EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO AN EXEMPTION FROM REGISTRATION AS DESCRIBED HEREIN, (2) EXCEPT IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SET FORTH IN THE INDENTURE AND (3) IN A DENOMINATION LESS THAN THE REQUIRED minimum DENOMINATION. THE NOTES ARE SUBJECT TO FURTHER RESTRICTIONS ON TRANSFER. SEE "TRANSFER RESTRICTIONS."

NEITHER THE ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT BY REASON OF THE EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 3(c)(7) THEREOF. EACH ORIGINAL PURCHASER OF AN INTEREST IN THE NOTES AND EACH SUBSEQUENT TRANSFEREE OF AN INTEREST THEREIN THAT IS A U.S. RESIDENT (WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT) WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS A QUALIFIED PURCHASER AND ALSO WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS SET FORTH IN "TRANSFER RESTRICTIONS" HEREIN. NO TRANSFER OF NOTES THAT WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE ISSUERS TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT WILL BE PERMITTED. THE PURCHASER OF ANY NOTE AGREES THAT SUCH NOTE IS BEING ACQUIRED FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTION AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A OR (B) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATION S, IN EACH SUCH CASE IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES
LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. ANY TRANSFER OF A RESTRICTED DEFINITIVE NOTE OR A REGULATION S DEFINITIVE NOTE MAY BE EFFECTED ONLY ON THE NOTE REGISTER MAINTAINED BY THE NOTE REGISTRAR PURSUANT TO THE INDENTURE. ANY TRANSFER OF AN INTEREST IN A RESTRICTED GLOBAL NOTE OR A REGULATION S GLOBAL NOTE WILL BE SHOWN ON, AND TRANSFERS THEREOF WILL BE EFFECTED ONLY THROUGH, RECORDS MAINTAINED BY DTC AND ITS DIRECT AND INDIRECT PARTICIPANTS (INCLUDING, IN THE CASE OF REGULATION S GLOBAL NOTES, EUROCLEAR AND CLEARSTREAM).

EACH ORIGINAL PURCHASER AND TRANSFEREE WILL BE DEEMED TO REPRESENT AND WARRANT) THAT EITHER (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND OWNERSHIP OF SUCH NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, ANY SUCH SIMILAR U.S. FEDERAL, STATE OR LOCAL LAW).

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

This Offering Circular has been prepared by the Issuers solely for use in connection with the offering described herein of the Notes (the "Offering") and for listing purposes. The Issuers accept responsibility for the information contained in this document (except as provided below). To the best knowledge and belief of the Issuers, the information contained in this document (except in respect of the information appearing in the Section (i) "The Collateral Manager" as to which the Collateral Manager accepts sole responsibility, (ii) "Description of the Initial Investment Agreement—The Initial Investment Agreement Provider" as to which the Initial Investment Agreement Provider accepts sole responsibility, (iii) "Lehman Brothers Special Financing Inc." as to which the First Synthetic Security Counterparty accepts sole responsibility and (iv) "Plan of Distribution" as to which the Initial Purchasers accept sole responsibility), is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuers accept responsibility accordingly. The Issuers disclaim any obligation to update such information and do not intend to do so. Neither the Initial Purchasers nor any of their affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein other than the information appearing in the section "Lehman Brothers Special Financing Inc.", for which it accepts sole responsibility. Neither the Collateral Manager nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein other than the information appearing in the section "The Collateral Manager", for which it accepts sole responsibility. Neither the Initial Investment Agreement Provider nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein other than the information appearing in the section "Description of the Initial Investment Agreement—The Initial Investment Agreement Provider", for which it accepts sole responsibility. To the best knowledge and belief of the First Synthetic Security Counterparty, the information contained in the section "Lehman Brothers Special Financing Inc." is in accordance with the facts and does not omit anything likely to affect the import of such information. To the best knowledge and belief of the Collateral Manager, the information contained in the section "The Collateral Manager" is in accordance with the facts and does not omit anything likely to affect the import of such information. To the best knowledge and
belief of the Initial Investment Agreement Provider, the information contained in the section "Description of the Initial Investment Agreement—The Initial Investment Agreement Provider" is in accordance with the facts and does not omit anything likely to affect the import of such information. Nothing contained in this Offering Circular is or should be relied upon as a promise or representation as to future results or events. The Trustee has not participated in the preparation of this Offering Circular and assumes no responsibility for its contents.

All of the statements in this Offering Circular with respect to the business of the Issuers, and any financial projections or other forecasts, are based on information furnished by the Issuers. See "Forward Looking Statements." None of the Initial Purchasers, the Collateral Manager and their respective affiliates assumes any responsibility for the performance of any obligations of either of the Issuers or any other persons described in this Offering Circular (except that the Collateral Manager is responsible for the performance of its obligations under the Management Agreement) or for the due execution, validity or enforceability of the Notes, instruments or documents delivered in connection with the Notes or for the value or validity of any collateral or security interests pledged in connection therewith.

This Offering Circular contains summaries of certain documents. The summaries do not purport to be complete and are qualified in their entirety by reference to such documents, copies of which will be made available to offerees upon request. Requests and inquiries regarding this Offering Circular or such documents should be directed to Lehman Brothers Inc., 745 Seventh Avenue, New York, New York 10019. Copies of such documents may also be obtained free of charge from the Irish Paying Agent.

The Issuers will make available to any offeree of the Notes, prior to the issuance thereof, the opportunity to ask questions of and to receive answers from the Issuers or a person acting on their behalf concerning the terms and conditions of the Offering, the Issuers or any other relevant matters and to obtain any additional information to the extent the Issuers possess such information or can obtain it without unreasonable expense. The information referred to in this paragraph will also be obtainable at the office of the Irish Paying Agent.

Each Original Purchaser of a Note (or interest therein) offered and sold in the United States will be required (or in certain circumstances deemed) to represent to the Initial Purchasers offering any Note to it that such Original Purchaser (a)(i) is an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) (an "Institutional Accredited Investor"), or (ii) is a qualified institutional buyer as defined in Rule 144A ("Qualified Institutional Buyer") and (b) is acquiring the Notes for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). Each Original Purchaser of the Notes will also be required to acknowledge or be deemed to acknowledge that the Notes have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (a) (i) to a person whom the seller reasonably believes is both a Qualified Purchaser (as defined below) and a Qualified Institutional Buyer purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from registration provided by Rule 144A under the Securities Act or (ii) to a non-U.S. Person in an offshore transaction in accordance with Rule 904 of Regulation S, (b) in compliance with the certification (if any) and other requirements specified in the Indenture and (c) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Each Original Purchaser of a Note that is a U.S. resident (within the meaning of the Investment Company Act) will be required to represent or be deemed to represent that it or the account for which it is purchasing such Notes is a Qualified Purchaser. A "Qualified Purchaser" is (i) a "qualified purchaser" within the meaning of the Investment Company Act and the rules thereunder, (ii) a "knowledgeable employee" with respect to the Issuer within the meaning of Rule 3c-5 under the Investment Company Act, or (iii) a company beneficially owned exclusively by one or more "qualified purchasers" and/or "knowledgeable employees" with respect to the Issuer.

The Initial Purchasers currently do not intend to make a market in any Class of Notes, and the Initial Purchasers are under no obligation to do so. In the event that the Initial Purchasers commence any market-making, it may discontinue the same at any time. There can be no assurance that a secondary market for any Class of Notes will develop, or if a secondary market does develop, that it will provide the holders of such Class of Notes with liquidity of investment or that it will continue for the life of such Class of Notes.
THIS OFFERING CIRCULAR IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED TO BE RELIED UPON ALONE AS THE BASIS FOR AN INVESTMENT DECISION. IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUERS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED AND MUST NOT RELY UPON INFORMATION PROVIDED BY OR STATEMENTS MADE BY THE INITIAL PURCHASERS, THE COLLATERAL MANAGER OR ANY OF THEIR AFFILIATES. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE NOTES FOR AN INDEFINITE PERIOD OF TIME.


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

THE DISTRIBUTION OF THIS OFFERING CIRCULAR AND THE OFFER OR SALE OF NOTES MAY BE RESTRICTED BY LAW IN CERTAIN JURISDICTIONS. NONE OF THE ISSUER, THE CO-ISSUER OR THE INITIAL PURCHASERS REPRESENTS THAT THIS DOCUMENT MAY BE LAWFULLY DISTRIBUTED, OR THAT ANY NOTES MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, OR ASSUME ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, NO ACTION HAS BEEN TAKEN BY THE ISSUER, THE CO-ISSUER OR THE INITIAL PURCHASERS WHICH WOULD PERMIT A PUBLIC OFFERING OF ANY NOTES OR DISTRIBUTION OF THIS DOCUMENT IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, NO NOTES MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS OFFERING CIRCULAR NOR ANY ADVERTISEMENT OR
OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS OFFERING CIRCULAR OR ANY NOTES COME MUST INFORM THEMSELVES ABOUT AND OBSERVE ANY SUCH RESTRICTIONS.

NOTWITHSTANDING ANY OTHER EXPRESS OR IMPLIED AGREEMENT TO THE CONTRARY, THE ISSUER, THE INITIAL PURCHASERS, THE COLLATERAL MANAGER AND EACH RECIPIENT HEREOF AGREE THAT EACH OF THEM AND EACH OF THEIR EMPLOYEES, REPRESENTATIVES, AND OTHER AGENTS MAY DISCLOSE, IMMEDIATELY UPON COMMENCEMENT OF DISCUSSIONS, TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTION AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO ANY OF THEM RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE, EXCEPT WHERE CONFIDENTIALITY IS REASONABLY NECESSARY TO COMPLY WITH U.S. FEDERAL, STATE, OR CAYMAN ISLANDS SECURITIES LAWS.

THIS DOCUMENT IS CONSIDERED AN ADVERTISEMENT FOR PURPOSES OF APPLICABLE MEASURES IMPLEMENTING E.U. DIRECTIVE 2003/71/EC. A PROSPECTUS PREPARED PURSUANT TO THE PROSPECTUS DIRECTIVE WILL BE PUBLISHED, WHICH CAN BE OBTAINED FROM THE ISSUER AND THE IRISH PAYING AGENT. SEE "LISTING AND GENERAL INFORMATION".

NOTICE TO FLORIDA RESIDENTS

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

NOTICE TO CONNECTICUT RESIDENTS

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

NOTICE TO GEORGIA RESIDENTS

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

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

NOTICE TO RESIDENTS OF AUSTRIA

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS UNDER THE AUSTRIAN CAPITAL MARKETS ACT OR THE AUSTRIAN INVESTMENT FUNDS ACT. THIS OFFERING CIRCULAR HAS NOT BEEN EXAMINED BY A PROSPECTUS AUDITOR AND NO PROSPECTUS ON THE PRIVATE PLACEMENT OF THE NOTES HAS BEEN PUBLISHED OR WILL BE PUBLISHED IN AUSTRIA. THE NOTES ARE OFFERED IN AUSTRIA ONLY TO A RESTRICTED AND SELECTED NUMBER OF PROFESSIONAL AND SOPHISTICATED INDIVIDUAL INVESTORS, AND NO PUBLIC OFFERING OF THE NOTES IN AUSTRIA IS BEING MADE OR IS INTENDED TO BE MADE. THE NOTES CAN ONLY BE ACQUIRED FOR A COMMITMENT EXCEEDING €600,000 OR ITS EQUIVALENT VALUE IN ANY FOREIGN CURRENCY. THE INTERESTS ISSUED BY THE ISSUERS ARE NOT OFFERED IN AUSTRIA, AND THE ISSUERS ARE NOT AND WILL NOT BE REGISTERED AS A FOREIGN INVESTMENT FUND IN AUSTRIA.

NOTICE TO RESIDENTS OF BAHRAIN

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

NOTICE TO RESIDENTS OF BELGIUM

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

NO INVITATION TO SUBSCRIBE FOR ANY NOTES MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS.

NOTICE TO RESIDENTS OF DENMARK

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

NOTICE TO RESIDENTS OF FINLAND

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

NOTICE TO RESIDENTS OF FRANCE

AS LONG AS THE PROSPECTUS DIRECTIVE IS NOT IMPLEMENTED IN FRANCE, THE FOLLOWING FRENCH SELLING RESTRICTIONS WILL APPLY: EACH OF THE INITIAL PURCHASERS HAS REPRESENTED AND AGREED, AND EACH FUTURE DEALER WILL BE REQUIRED TO REPRESENT AND AGREE, THAT IN CONNECTION WITH THEIR INITIAL DISTRIBUTION IT HAS NOT OFFERED OR SOLD OR CAUSED TO BE OFFERED OR SOLD AND WILL NOT OFFER OR SELL OR CAUSED TO BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, ANY OFFERED SECURITIES BY WAY OF A PUBLIC OFFERING IN THE REPUBLIC OF FRANCE (AN APPEL PUBLIC À L’ÉPARGNE AS DEFINED IN ARTICLE L.411-1 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER (THE "FRENCH CODE")) AND THAT OFFERS AND SALES OF THE OFFERED SECURITIES WILL BE MADE IN THE REPUBLIC OF FRANCE IN ACCORDANCE WITH THE ARTICLE L.411-1 AND FOLLOWING OF THE FRENCH CODE AND DECREE NO.98.880 DATED 1ST OCTOBER, 1998 RELATING TO OFFERS TO QUALIFIED INVESTORS.
NOTICE TO RESIDENTS OF GERMANY

THE NOTES MAY ONLY BE ACQUIRED IN ACCORDANCE WITH THE GERMAN WERTPAPIERPROSPEKTGESETZ ("SECURITIES PROSPECTUS ACT") AND THE INVESTMENTGESETZ ("INVESTMENT ACT"). THE SECURITIES ARE NOT REGISTERED OR AUTHORIZED FOR DISTRIBUTION UNDER THE INVESTMENT ACT AND MAY NOT BE, AND ARE NOT BEING OFFERED OR ADVERTISED PUBLICLY OR OFFERED SIMILARLY UNDER THE INVESTMENT ACT OR THE SECURITIES PROSPECTUS ACT. THEREFORE, THIS OFFER IS ONLY BEING MADE TO RECIPIENTS TO WHOM THIS DOCUMENT IS PERSONALLY ADDRESSED AND DOES NOT CONSTITUTE AN OFFER OR ADVERTISEMENT TO THE PUBLIC. THE SECURITIES CAN ONLY BE ACQUIRED FOR A MINIMUM PURCHASE PRICE OF AT LEAST € 50,000 (EXCLUDING COMMISSIONS AND OTHER FEES) PER PERSON. ALL PROSPECTIVE INVESTORS ARE URGED TO SEEK INDEPENDENT TAX ADVICE. NONE OF THE ISSUER, THE TRUSTEE, THE INVESTMENT MANAGER, THE INITIAL PURCHASERS OR ANY OF THEIR RESPECTIVE AFFILIATES GIVES ANY TAX ADVICE.

NOTICE TO RESIDENTS OF HONG KONG

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

NOTICE TO RESIDENTS OF ITALY

THIS OFFERING CIRCULAR MAY NOT BE DISTRIBUTED TO MEMBERS OF THE PUBLIC IN ITALY. THE ITALIAN COMMISSIONE NAZIONALE PER LA SOCIETA E LA BORSA HAS NOT AUTHORIZED ANY OFFERING OF THE SUBSCRIPTION OF THE NOTES. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD IN ITALY OR TO RESIDENTS THEREOF EXCEPT AS PERMITTED BY ITALIAN LAW.

NOTICE TO RESIDENTS OF JAPAN

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

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

NOTICE TO RESIDENTS OF THE NETHERLANDS

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

NOTICE TO RESIDENTS OF NORWAY

EACH OF THE ISSUERS AND THE INITIAL PURCHASERS REPRESENTS AND AGREES THAT IT WILL COMPLY WITH CHAPTER 5 OF THE NORWEGIAN ACT NO. 79 OF JUNE 19, 1997 ON SECURITIES TRADING (SECURITIES TRADING ACT) AND EACH OF THE ISSUERS AND THE INITIAL PURCHASERS ADDITIONALLY REPRESENT AND AGREE THAT THEY HAVE NOT, DIRECTLY OR INDIRECTLY, OFFERED OR SOLD AND WILL NOT, DIRECTLY OR INDIRECTLY, OFFER OR SELL IN THE KINGDOM OF NORWAY OR TO INVESTORS IN THE NORWEGIAN SECURITIES MARKET ANY NOTES OTHER THAN TO PERSONS WHO ARE REGISTERED WITH THE OSLO STOCK EXCHANGE AS PROFESSIONAL INVESTORS.

NOTICE TO RESIDENTS OF SINGAPORE

THIS OFFERING CIRCULAR WILL, PRIOR TO ANY SALE OF SECURITIES PURSUANT TO THE PROVISIONS OF SECTION 106D OF THE COMPANIES ACT (CAP. 50), BE LODGED, PURSUANT TO SAID SECTION 106D, WITH THE REGISTRAR OF COMPANIES IN SINGAPORE, WHICH TAKES NO RESPONSIBILITY FOR ITS CONTENTS, BUT HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE REGISTRAR OF COMPANIES IN SINGAPORE. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED NOR MAY THIS OFFERING CIRCULAR NOR ANY OTHER OFFERING DOCUMENT OR MATERIAL RELATING TO THE NOTES BE CIRCULATED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO THE PUBLIC OR ANY MEMBER OF THE PUBLIC IN SINGAPORE OTHER THAN TO INSTITUTIONAL INVESTORS OR OTHER PERSONS OF THE KIND SPECIFIED IN SECTION 106C AND SECTION 106D OF THE COMPANIES ACT OR ANY OTHER APPLICABLE EXEMPTION INVOKED UNDER DIVISION 5A OF PART IV OF THE COMPANIES ACT. THE FIRST SALE OF SECURITIES ACQUIRED UNDER A SECTION 106C OR SECTION 106D EXEMPTION IS SUBJECT TO THE PROVISIONS OF SECTION 106E OF THE COMPANIES ACT.
NOTICE TO RESIDENTS OF SPAIN

THIS OFFERING CIRCULAR HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE COMISION NACIONAL DEL MERCADO DE VALORES OF SPAIN AND MAY NOT BE DISTRIBUTED IN SPAIN IN CONNECTION WITH THE OFFERING AND SALE OF THE NOTES WITHOUT COMPLYING WITH ALL LEGAL AND REGULATORY REQUIREMENTS IN RELATION THERETO.

NOTICE TO RESIDENTS OF SWEDEN

THIS OFFERING CIRCULAR IS FOR THE RECIPIENT ONLY AND MAY NOT IN ANY WAY BE FORWARDED TO ANY OTHER PERSON OR TO THE PUBLIC IN SWEDEN. THE OFFERING OF THE NOTES IS INTENDED TO BE A PRIVATE PLACEMENT, AND A MINIMUM INVESTMENT OF SEK 300,000 IN THE NOTES IS REQUIRED.

NOTICE TO RESIDENTS OF SWITZERLAND

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

NOTICE TO RESIDENTS OF TAIWAN AND CHINA

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

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

THIS DOCUMENT IS ONLY BEING DISTRIBUTED TO AND IS ONLY DIRECTED AT (I) PERSONS WHO ARE OUTSIDE THE UNITED KINGDOM OR (II) TO INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT OF 2000 (“FSMA”) (FINANCIAL PROMOTION) ORDER 2005 (THE “ORDER”) OR (III) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2) (A) TO (D) OF THE ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THE SECURITIES ARE AVAILABLE ONLY TO, AND ANY INVITATION, OFFER OR AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE SUCH SECURITIES WILL BE ENGAGED IN ONLY WITH, RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS.
AVAILABLE INFORMATION

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

FORWARD LOOKING STATEMENTS

Any projections, forecasts and estimates contained herein are forward looking statements and are based upon certain assumptions that the Collateral Manager considers reasonable. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results. Accordingly, the projections are only an estimate. Actual results may vary from the projections, and the variations may be material. Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, market, financial or legal uncertainties, differences in the actual allocation of the Underlying Assets among asset categories from those identified on Schedule A hereto, the timing and frequency of defaults on the Underlying Assets, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Underlying Assets (particularly prior to the investment of all Uninvested Proceeds), defaults under Underlying Assets and the effectiveness of the Interest Rate Swap Agreement, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Collateral Manager, the Trustee, the Initial Purchasers or any of their respective affiliates or any other person or entity of the results that will actually be achieved by the Issuer.

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

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUMMARY OF TERMS</td>
<td>1</td>
</tr>
<tr>
<td>RISK FACTORS</td>
<td>15</td>
</tr>
<tr>
<td>Risks Relating to the Notes</td>
<td>15</td>
</tr>
<tr>
<td>Risks Relating to the Collateral</td>
<td>21</td>
</tr>
<tr>
<td>Other Considerations</td>
<td>27</td>
</tr>
<tr>
<td>DESCRIPTION OF THE NOTES</td>
<td>31</td>
</tr>
<tr>
<td>Status and Security</td>
<td>31</td>
</tr>
<tr>
<td>Interest</td>
<td>31</td>
</tr>
<tr>
<td>Principal</td>
<td>34</td>
</tr>
<tr>
<td>Payments</td>
<td>35</td>
</tr>
<tr>
<td>Priority of Payments</td>
<td>36</td>
</tr>
<tr>
<td>The Coverage Tests</td>
<td>45</td>
</tr>
<tr>
<td>The Overcollateralization Tests</td>
<td>46</td>
</tr>
<tr>
<td>The Interest Coverage Tests</td>
<td>46</td>
</tr>
<tr>
<td>Mandatory Redemption</td>
<td>48</td>
</tr>
<tr>
<td>Optional Redemption</td>
<td>48</td>
</tr>
<tr>
<td>Auction Call Redemption</td>
<td>48</td>
</tr>
<tr>
<td>Clean-Up Call Redemption</td>
<td>50</td>
</tr>
<tr>
<td>Tax Redemption</td>
<td>51</td>
</tr>
<tr>
<td>Redemption Price and Redemption Amount</td>
<td>51</td>
</tr>
<tr>
<td>Redemption Procedures</td>
<td>52</td>
</tr>
<tr>
<td>Cancellation</td>
<td>52</td>
</tr>
<tr>
<td>Form, Denomination, Registration and Transfer</td>
<td>52</td>
</tr>
<tr>
<td>Preference Shares</td>
<td>57</td>
</tr>
<tr>
<td>No Gross-Up</td>
<td>57</td>
</tr>
<tr>
<td>The Indenture</td>
<td>57</td>
</tr>
<tr>
<td>CERTAIN TERMS OF THE PREFERENCE SHARES</td>
<td>66</td>
</tr>
<tr>
<td>Status of the Preference Shares</td>
<td>66</td>
</tr>
<tr>
<td>Rights of Consent of the Preference Shareholders</td>
<td>66</td>
</tr>
<tr>
<td>Auction Call Redemption of the Preference Shares</td>
<td>67</td>
</tr>
<tr>
<td>Governing Law</td>
<td>67</td>
</tr>
<tr>
<td>USE OF PROCEEDS</td>
<td>68</td>
</tr>
<tr>
<td>RATING OF THE NOTES</td>
<td>69</td>
</tr>
<tr>
<td>MATURITY AND PREPAYMENT CONSIDERATIONS</td>
<td>70</td>
</tr>
<tr>
<td>SECURITY FOR THE NOTES</td>
<td>71</td>
</tr>
</tbody>
</table>
SCHEDULE A — List of Underlying Assets
SCHEDULE B — Auction Call Redemption—Auction Procedures
SCHEDULE C — Standard & Poor's Rating
SCHEDULE D — Moody's Rating and Moody's Weighted Average Rating
SCHEDULE E — Standard & Poor's Recovery Matrix
SCHEDULE F — Moody's Recovery Rate Matrix
SCHEDULE G — Class D Priority Redemption Amount
SCHEDULE H — Form of Confirmation for RMBS Securities
SCHEDULE I — Form of Confirmation for CMBS Securities
SCHEDULE J — Index of Defined Terms
SUMMARY OF TERMS

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

Securities Offered
U.S.$446,250,000 aggregate principal amount Class A-1 Floating Rate Notes Due August 2046 (the "Class A-1 Notes").
U.S.$78,750,000 aggregate principal amount Class A-2 Floating Rate Notes Due August 2046 (the "Class A-2 Notes") and, together with the Class A-1 Notes, the "Class A Notes").
U.S.$66,500,000 aggregate principal amount Class B Floating Rate Notes Due August 2046 (the "Class B Notes").
U.S.$26,000,000 aggregate principal amount Class C Floating Rate Deferrable Interest Notes Due August 2046 (the "Class C Notes").
U.S.$35,250,000 aggregate principal amount Class D Floating Rate Deferrable Interest Notes Due August 2046 (the "Class D Notes").
U.S.$10,500,000 aggregate principal amount Class E Floating Rate Deferrable Interest Notes Due August 2046 (the "Class E Notes", together with the Class A Notes, Class B Notes, Class C Notes and Class D Notes, the "Notes").

Preference Shares
Concurrently with the issuance of the Notes, the Issuer will issue 36,750 Preference Shares, par value U.S.$0.01 per share, issued at a liquidation preference of U.S.$1,000 per share (the "Preference Shares"). The Preference Shares are not offered pursuant to this Offering Circular. It is expected that the Collateral Manager will purchase on the Closing Date all of the Class E Notes and the Preference Shares.

Status of the Notes
Each of the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes are herein referred to as a "Class" of Notes. The entire principal amount of each Class of Notes and all of the Preference Shares will be issued on the Closing Date.

The Notes will be issued and secured pursuant to the Indenture. The Interest Rate Swap Counterparty and the Synthetic Security Counterparty will be express third party beneficiaries of the Indenture. See "Description of the Notes—Status and Security" and "—The Indenture." The Notes will be limited-recourse debt obligations of the Issuers secured solely by a pledge of the Collateral by the Issuer to the Trustee pursuant to the Indenture for the benefit of the holders from time to time of the Notes, the Collateral Manager, the Trustee, the Synthetic Security Counterparty and the Interest Rate Swap Counterparty (collectively, the "Secured Parties"). See "Description of the Notes—Status and Security."

The relative order of seniority of payment of each Class of Notes is as follows: first, Class A-1 Notes, second, Class A-2 Notes, third, Class B Notes, fourth, Class C Notes, fifth, Class D Notes and sixth, Class E Notes, with (a) each Class of Notes in such list being "Senior" to each other Class of Notes that follows such Class of Notes in such list and
(b) each Class of Notes (other than the Class A-1 Notes) in such list being "Subordinate" to the Class of Notes that precedes such Class of Notes in such list.

No payment of interest on any Class of Notes will be made until all accrued interest due and payable on the Notes of each Class that is Senior to such Class and that remains outstanding has been paid in full; provided that the interest on the Class A-1 Notes and the Class A-2 Notes will be paid pro rata. No payment of principal of any Class of Notes will be made until all principal of, and all accrued and unpaid interest on, the Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full, except as described under "—Principal Repayment of the Notes". See also "Description of the Notes—Priority of Payments."

However:

(a) on any Distribution Date occurring on or before the Distribution Date in August 2009 (with the period from the Closing Date to such Distribution Date referred to herein as the "Priority Distribution Period"), Interest Proceeds will be applied, in an amount available for such purpose, if any, on the relevant Distribution Date, to pay principal of the Class D Notes in an amount up to the Class D Priority Redemption Amount for such Distribution Date as set forth in Schedule G to this Offering Circular until 10% of the aggregate principal amount of the Class D Notes as of the Closing Date is redeemed; and on any Distribution Date occurring after the August 2009 Distribution Date, 15% of the Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the holders of the Preference Shares will be applied to pay principal of the Class D Notes until the Class D Notes are paid in full; and

(b) on any Distribution Date occurring on or after the Distribution Date in August 2014 (if no Optional Redemption, Auction Call Redemption, Clean-Up Call Redemption or Tax Redemption has been successfully completed before such Distribution Date) (the "Accelerated Amortization Date"), Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the holders of the Preference Shares will be applied to pay, first, the principal of the Class D Notes, second, the principal of the Class C Notes, third, the principal of the Class B Notes, fourth, the principal of the Class A-2 Notes and fifth, the principal of the Class A-1 Notes, in each case until such Class has been paid in full. See "Description of the Notes—Priority of Payments."

The Issuers

Gemstone CDO VI Ltd. (the "Issuer") is an exempted company with limited liability incorporated under the Companies Law (2004 Revision) of the Cayman Islands pursuant to its Memorandum and Articles of Association (the "Issuer Charter") and is in good standing under the laws of the Cayman Islands. The Indenture and Issuer Charter will provide that the activities of the Issuer are limited to:
(a) acquiring, holding, pledging and selling Underlying Assets and Eligible Investments;

(b) entering into and performing its obligations under the Indenture, the Interest Rate Swap Agreement, any Investment Agreement, the Management Agreement, the Collateral Administration Agreement, the Note Purchase Agreement, the subscription agreements with respect to the private placement of the Class E Notes and the Preference Shares (the "Subscription Agreements") and the Preference Share Paying Agency Agreement;

(c) issuing, redeeming and selling the Notes and the Preference Shares, and issuing the Ordinary Shares;

(d) pledging the Collateral as security for its obligations in respect of the Notes and otherwise for the benefit of the Secured Parties;

(e) owning the Co-Issuer; and

(f) other activities incidental to the foregoing.

The Issuer will not have any material assets other than the Underlying Assets, Eligible Investments, the Interest Rate Swap Agreement and rights under certain other agreements entered into as described herein.

Gemstone CDO VI Corp., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Issuers"), was incorporated for the sole purpose of co-issuing the Notes. The entire authorized share capital of the Co-Issuer is owned by the Issuer.

The Co-Issuer will not have any assets (other than the proceeds of its common shares, being U.S.$250) and will not pledge any assets to secure any Class of Notes. The Co-Issuer will not have any interest in the Underlying Assets held by the Issuer.

Collateral Manager

HBK Investments L.P., a Delaware limited partnership (the "Collateral Manager") with headquarters in Dallas, Texas, will manage the Collateral under a Management Agreement to be entered into between the Issuer and the Collateral Manager (the "Management Agreement"). Pursuant to the Management Agreement and in accordance with the Indenture, the Collateral Manager has selected and will manage the Collateral and will exercise rights and remedies associated with the Underlying Assets based on the restrictions set forth in the Indenture and on the Collateral Manager's research, credit analysis and judgment. The Collateral Manager will also monitor the Interest Rate Swap Agreement and may act as the Auction Agent in connection with an Auction Call Redemption. Also, the Collateral Manager may direct the disposition of the Underlying Assets in the case of an Optional Redemption, a Clean-up Call or a Tax Redemption. For a summary of the provisions of the Management Agreement and certain other information concerning the Collateral Manager and key individuals associated therewith who will be managing the Issuer's portfolio, see "The Collateral Manager" and "The Management Agreement."

Use of Proceeds

The gross proceeds received from the issuance and sale of the Notes and the Preference Shares will be approximately U.S.$685,195,631.
On the Closing Date, the Issuer will receive approximately U.S.$678,128,081 as the net proceeds from the issuance and sale of the Notes and the Preference Shares. The net proceeds from the issuance and sale of the Notes and the Preference Shares are the gross proceeds net of the payment of the placement and structuring fees related to the placement of the Notes and Preference Shares, the payment of other closing expenses and an initial deposit into the Expense Account. The net proceeds from the issuance and the sale of the Notes and the Preference Shares will be used by the Issuer to purchase on the Closing Date a diversified portfolio of interests in asset-backed securities ("Asset-Backed Securities") and Synthetic Securities (together with the Asset-Backed Securities, the "Underlying Assets") having the characteristics described herein and to fund certain accounts established under the Indenture. See "Security for the Notes—Underlying Assets" and "—Closing Date Portfolio." On the Closing Date, the Issuer will have acquired (or committed to acquire for settlement in accordance with customary settlement procedures in the relevant markets) the entire portfolio. As of the Closing Date, the portfolio will consist of Underlying Assets (acquired or committed to be acquired) having an aggregate Principal/Notional Balance (including principal collections on such Underlying Assets deposited in the Uninvested Proceeds Account on the Closing Date) of approximately U.S.$700,106,212. In the event that there are any remaining uninvested net proceeds on the Determination Date preceding the November 2006 Distribution Date (the "First Distribution Date"), they will be applied in the manner described herein under "Description of the Notes—Certain Definitions—Principal Proceeds," "Description of the Notes—Priority of Payments—Principal Proceeds" and "Security for the Notes—The Accounts—Uninvested Proceeds Account."

Security for the Notes

Pursuant to the Indenture, the Notes, together with the Issuer's obligations to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement, the Synthetic Security Counterparty under the Synthetic Securities, the Initial Investment Agreement Provider under the Initial Investment Agreement, the Trustee under the Indenture and the Collateral Manager under the Management Agreement, will be secured by:

(a) the Underlying Assets and Equity Securities;

(b) the rights of the Issuer under the Interest Rate Swap Agreement;

(c) amounts on deposit in the Payment Account, the Interest Collection Account, the Principal Collection Account, the Expense Account, the Uninvested Proceeds Account, the Substituted Collateral Account, the Synthetic Security Issuer Account, the Synthetic Security Collateral Account and the Interest Rate Swap Counterparty Collateral Account (collectively, the "Accounts") and Eligible Investments purchased with funds on deposit in such accounts;

(d) the rights of the Issuer under the Management Agreement, the Note Purchase Agreement, the Subscription Agreements and the Administration Agreement; and

(e) all proceeds of the foregoing (collectively, the "Collateral").
In the event of any realization on the Collateral, proceeds will be allocated to the payment of each Class of Notes in accordance with the respective priorities established by the Priority of Payments. The Collateral will not include the Excepted Property.

**Acquisition of Collateral**

On the Closing Date, the Issuer will have acquired (or committed to acquire for settlement in accordance with customary settlement procedures in the relevant markets) the entire portfolio, which will consist of Underlying Assets having an Aggregate Principal/Notional Balance (including principal collections on Asset-Backed Securities deposited in the Uninvested Proceeds Account on the Closing Date) of approximately U.S.$700,106,212 and will be pledged to the Trustee under the Indenture. The Underlying Assets so acquired by the Issuer will, on the Closing Date, have the characteristics described herein under "Security for the Notes—Underlying Assets" and "—Closing Date Portfolio." No Underlying Assets will be acquired after the Closing Date unless (i) such Underlying Asset is the subject of a binding commitment entered into by or on behalf of the Issuer on or prior to the Closing Date or (ii) such Underlying Asset is an Eligible Substitute Asset. The Collateral Manager will dispose of Collateral only in the limited circumstances described herein. See "Security for the Notes—Dispositions of Underlying Assets."

**Substitution of Collateral**

On or before the August 2011 Distribution Date and provided that the Class A/B Overcollateralization Test is in compliance subject to certain additional conditions set forth in "Security for the Notes—Dispositions of Underlying Assets", the Collateral Manager, on behalf of the Issuer, may direct the Trustee in writing to dispose of, and the Trustee will so dispose of in the manner so directed by the Collateral Manager in writing, any Underlying Asset and deposit the proceeds of such sale (the "Substituted Collateral Proceeds") into the Substituted Collateral Account. The Substituted Collateral Proceeds shall be:

(i) used to acquire one or more Eligible Substitute Assets within 10 Business Days from the deposit into the Substituted Collateral Account; provided that the Collateral Manager shall only give direction to the Trustee if after giving effect to such disposition and the subsequent acquisition, the Aggregate Principal/Notional Balance of all Eligible Substitute Assets acquired by the Collateral Manager, on behalf of the Issuer, from the Closing Date shall not exceed 30% of the Net Outstanding Underlying Asset Balance as of the Closing Date; and provided further that after such acquisition, such Eligible Substitute Assets will be deemed to be Underlying Assets; or

(ii) after 10 Business Days from the date of deposit into the Substituted Collateral Accounts, if not used to acquire Eligible Substitute Asset, designated as Principal Proceeds for distribution on the then following Distribution Date.

"Eligible Substitute Asset" means any Underlying Asset (which shall mean with respect to a Synthetic Security, the related Reference Obligation):

(i) which is an RMBS Security or an Other ABS Security;
(ii) that is not deferring interest and has not capitalized interest that has not been paid in full;

(iii) that has a Principal/Notional Balance at least equal to that of the Underlying Asset designated for replacement by the Collateral Manager at the time of sale; provided that if two or more Eligible Substitute Assets are purchased with the disposition proceeds of the Underlying Asset designated for replacement by the Collateral Manager, the Aggregate Principal/Notional Balance of such Eligible Substitute Assets shall be at least equal to the Principal/Notional Balance of the Underlying Asset designated for replacement at the time of sale;

(iv) that has an Average Life that is equal to or shorter than that of the Underlying Asset designated by the Collateral Manager for replacement;

(v) whose obligor or issuer is incorporated or organized under the laws of the United States;

(vi) that has a Moody’s Rating and Standard & Poor’s Rating greater than or equal to that of the Underlying Asset designated for replacement at the time such Underlying Asset was purchased by the Issuer; and

(vii) that satisfies the Substitution Criteria.


See "Security for the Notes—Substitutions of Underlying Assets."

Interest Rate Swap Agreement

On the Closing Date, the Issuer will enter into ISDA Master Agreements pursuant to which the Issuer will enter into an interest rate swap in accordance with the Indenture (such interest rate swap, together with any replacement therefor or additional interest rate swap agreement entered into in accordance with the Indenture, the "Interest Rate Swap Agreement") with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (together with its successors, the "Interest Rate Swap Counterparty"). The Interest Rate Swap Agreement will provide that the Issuer will pay to the Interest Rate Swap Counterparty on each related Distribution Date interest at a fixed rate on a specified notional amount, in exchange for which the Interest Rate Swap Counterparty will pay to the Issuer interest on such notional amount at a rate equal to three-month LIBOR for the related calculation period. See "Security for the Notes—The Interest Rate Swap Agreement."

Synthetic Securities

Prior to the Closing Date, the Issuer entered into a series of credit default swaps (each a "Synthetic Security") with Lehman Brothers Special Financing Inc. (in such role, the "First Synthetic Security Counterparty"). Each Synthetic Security relates to a Reference Obligation whereby the Issuer sells credit protection to the related Synthetic Security Counterparty on such Reference Obligation. Each Synthetic Security was entered into pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border), including the schedule thereto (the "Master Agreement"), between the Issuer and a Synthetic Security Counterparty, and a separate confirmation of transaction (a
"Confirmation") evidencing the Synthetic Security thereunder. Each Confirmation may evidence several different transactions, each of which is separate and distinct from all others documented under such Confirmation and relates to an individual Reference Obligation that is an Asset-Backed Security. The form of Confirmation for Reference Obligations that are RMBS Securities is attached hereto as Schedule H. The form of Confirmation for Reference Obligations that are CMBS Securities is attached hereto as Schedule I. The 2003 ISDA Credit Derivatives Definitions, as published by ISDA (the "Credit Derivatives Definitions") will apply to, and be incorporated by reference into, each Synthetic Security.

Each Synthetic Security exposes the Issuer to the credit risk of a Reference Obligation. Each "Reference Obligation," as of the related trade date, will be an Asset-Backed Security that satisfies the Substitution Criteria.

On or before the August 2011 Distribution Date and only in accordance with the Substitution Criteria, the Issuer may (i) enter into additional Synthetic Securities with the First Synthetic Security Counterparty and (ii) enter into new Synthetic Securities with other synthetic security counterparties (together with the First Synthetic Security Counterparty, the "Synthetic Security Counterparties") made pursuant to a separate Master Agreement and Confirmation; provided that after giving effect to any such transaction, the Synthetic Security Collateral Amount equals or exceeds the Required Synthetic Security Collateral Amount. The "Synthetic Security Collateral Amount" equals on any date of determination, the amount on deposit in the related Synthetic Security Collateral Account, if any (including the Aggregate Principal/Notional Balance of the Eligible Investments on deposit in such account, but excluding all earnings on such Eligible Investments). The "Required Synthetic Security Collateral Amount" equals, with respect to each Synthetic Security Counterparty, on any date of determination, the Aggregate Principal/Notional Balance of all Synthetic Securities entered into with such Synthetic Security Counterparty. Each Master Agreement entered into with a Synthetic Security Counterparty shall be identical to the Master Agreement entered into between the Issuer and the First Synthetic Security Counterparty prior to closing or, if not identical, shall be approved by each other Synthetic Security Counterparty and each Rating Agency. Each Confirmation entered into with a Synthetic Security Counterparty shall be substantially similar to (x) the form of Confirmation attached hereto as Schedule H in the case of Reference Obligations that are RMBS Securities or (y) the form of Confirmation attached hereto as Schedule I in the case of Reference Obligations that are CMBS Securities or, if not substantially similar, shall be approved by each other Synthetic Security Counterparty and each Rating Agency.

The Synthetic Security Counterparty has the right in the event of an assignment of a Synthetic Security to reject any replacement for the Issuer, such right not to be unreasonably exercised. In deciding whether to approve or reject a replacement for the Issuer, the Synthetic Security Counterparty does not have to consider the interests of the Issuer or the Noteholders.
For a further description of the Synthetic Securities see "Security for the Notes—Underlying Assets Synthetic Securities" herein.

**Initial Investment Agreement**

Amounts on deposit in the Synthetic Security Collateral Account may be invested in Eligible Investments (as defined herein) and will initially be invested under an investment agreement, dated as of the Closing Date (such agreement, the "Initial Investment Agreement," and amounts so invested, the "Investment"), among the Issuer, the Trustee and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., as investment agreement provider (in such capacity, the "Initial Investment Agreement Provider"). On the Closing Date, funds in an amount of about $237,000,000 are expected to be invested as the Investment.

Pursuant to the Initial Investment Agreement, the Initial Investment Agreement Provider will be required to pay interest at a per annum floating rate equal to three-month LIBOR minus 0.07% on the amounts invested thereunder. Interest on the Investment will accrue until the date the Initial Investment Agreement terminates or is terminated in accordance with its terms over each Interest Period and will be payable on the Business Day immediately prior to the Distribution Dates.

On any Business Day of each month, subject to applicable notice requirements specified in the Initial Investment Agreement, the Trustee may make a withdrawal from the Initial Investment Agreement in order to make payments as described under Allocation Procedures.

On or immediately prior to the Final Maturity Date, the Trustee (acting pursuant to the Indenture on behalf of the Issuer) will have the right to demand payment in full under the Initial Investment Agreement (if it is then in effect). On the Final Maturity Date of the Notes, all net proceeds from such liquidation and all available cash will be distributed in accordance with the priority of distribution provisions described herein. The obligations of the Initial Investment Agreement Provider under the Initial Investment Agreement will be insured by a financial guarantee policy (the "Policy" and together with the Initial Investment Agreement, the "GIC") to the extent specified therein. See "Security for the Notes—The Initial Investment Agreement," "Security for the Notes—The Initial Investment Agreement Provider".

**Interest Payments on the Notes**

The Class A-1 Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.23%.

The Class A-2 Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.40%.

The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.50%.

The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.30%.

The Class D Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.15%.
The Class E Notes will bear interest at a floating rate per annum equal to LIBOR plus 6.00%.

Interest on the Notes will be computed on the basis of a 360-day year and the actual number of days elapsed.

Interest on the Notes will accrue from the Closing Date. Accrued and unpaid interest will be payable quarterly in arrears on each Distribution Date, if and to the extent that funds are available on such Distribution Date in accordance with the Priority of Payments set forth herein. See "Description of the Notes—Interest."

Any interest on the Class C Notes, Class D Notes or Class E Notes that is not paid when due by operation of the Priority of Payments will be deferred ("Deferred Interest", or as applicable, "Class C Deferred Interest", "Class D Deferred Interest" or "Class E Deferred Interest"). Interest will accrue on any deferred interest. Failure to make payment in respect of interest on the Class C Notes, Class D Notes or Class E Notes on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture as long as a more Senior Class of Notes remains outstanding.

Upon the payment of Class C Deferred Interest, Class D Deferred Interest or Class E Deferred Interest, the deferred interest amount with respect to the Class C Notes, Class D Notes or the Class E Notes, as the case may be, will be reduced by the amount of such payment.

Additionally, as long as any Class of Notes is outstanding, other than the Class E Notes, if either Coverage Test applicable to such Class of Notes is not satisfied on any Determination Date relating to a Distribution Date, then Interest Proceeds that would otherwise be used to make payments in respect of interest on any Class of Notes Subordinate to such Class will be used instead to redeem, first, each Class (if any) of Notes Senior to such Class of Notes (sequentially in direct order of seniority) and, second, such Class of Notes, until each applicable Coverage Test is satisfied. See "Description of the Notes—Priority of Payments."

**Maturity; Average Life; Duration **

The stated maturity of the Notes is the August 2046 Distribution Date (with respect to each Class of Notes, the "Stated Maturity"). Each Class of Notes will mature at the applicable Stated Maturity unless redeemed or repaid before the Stated Maturity. With respect to each Class of Notes, the earlier of the Stated Maturity and the Distribution Date on which the aggregate principal amount of such Class of Notes is paid in full, including a Redemption Date or an Accelerated Maturity Date, is referred to herein as the 'Final Maturity Date". The average life of each Class of Notes may be less than the number of years until its Stated Maturity. See "Maturity and Prepayment Considerations," "Risk Factors—Projections, Forecasts and Estimates" and "—Average Life of the Notes and Prepayment Considerations."

**Principal Repayment of the Notes**

Principal Proceeds will be applied on each Distribution Date in accordance with the Priority of Payments to pay principal of each Class of Notes. In addition,

(a) if a Coverage Test is not satisfied on a Determination Date, Interest Proceeds will be applied on the immediately succeeding Distribution Date to pay principal of the Class A Notes, the Class B Notes, the Class C Notes, and the Class D
Notes, sequentially in order of seniority in sufficient amounts to satisfy each Coverage Test,

(b) on any Distribution Date occurring on or before the last day of the Priority Distribution Period, Interest Proceeds will be applied, in an amount available for such purpose, if any, on the relevant Distribution Date, to pay principal of the Class D Notes in an amount up to the Class D Priority Redemption Amount for such Distribution Date as set forth in Schedule G to this Offering Circular until 10% of the aggregate principal amount of the Class D Notes as of the Closing Date is redeemed; and on any Distribution Date occurring after August 2009, 15% of the Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the holders of the Preference Shares will be applied to pay principal of the Class D Notes until the Class D Notes are paid in full, and

(c) if no Optional Redemption, Auction Call Redemption, Clean-Up Call Redemption or Tax Redemption has been successfully completed before the Accelerated Amortization Date, on each Distribution Date occurring on or after the Accelerated Amortization Date, Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the holders of the Preference Shares will be applied to pay, first, the principal of the Class D Notes, second, the principal of the Class C Notes, third, the principal of the Class B Notes, fourth, the principal of the Class A-2 Notes and fifth, the principal of the Class A-1 Notes, in each case until such Class has been paid in full, in each case, to the extent of funds available for such purposes in accordance with the Priority of Payments. See "Description of the Notes—Priority of Payments," "—Principal," "—Mandatory Redemption" and "—The Coverage Tests."

The Issuer may redeem the Notes, in whole but not in part, at the applicable Redemption Price therefor at the times and under the circumstances described in "Description of the Notes—Auction Call Redemption," "—Optional Redemption," "—Clean-Up Call Redemption" and "—Tax Redemption."

**Mandatory Redemption**

The Class A Notes, the Class B Notes, the Class C Notes, and the Class D Notes will, on any Distribution Date, be subject to mandatory redemption from Interest Proceeds in the event that any Coverage Test is not satisfied on that Determination Date. In addition, Principal Proceeds will be applied on each Distribution Date (after payment of certain other amounts in accordance with the Priority of Payments) to repay the principal of each Class of Notes. Any such redemption from Interest Proceeds or Principal Proceeds will be applied to each outstanding Class of Notes sequentially in direct order of seniority and will otherwise be effected as described below under "Description of the Notes—Priority of Payments" and "—Mandatory Redemption."

**Optional Redemption**

Subject to certain conditions described herein, on any Distribution Date on or after the August 2009 Distribution Date, the Issuer may redeem
the Notes (such redemption, an "Optional Redemption"), in whole but not in part, at the direction of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the Preference Shares at the applicable Redemption Price therefor. Any such Optional Redemption may only be effected on a Distribution Date at the applicable Redemption Price and only from the disposition proceeds of all Collateral including Eligible Investments credited to the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account) on such Distribution Date. No Optional Redemption may be effected, however, unless (i) all such disposition proceeds are used, in whole or in part, to make such an Optional Redemption and (ii) such disposition proceeds are at least equal to the Redemption Amount. See "Description of the Notes—Optional Redemption".

Auction Call Redemption of the Notes

If the Notes have not been redeemed in full on or prior to the Distribution Date occurring in August 2012 (the "First Auction Call Date"), and the Preference Shareholders have not directed an Optional Redemption, then an auction of the Underlying Assets will be conducted by the Auction Agent on behalf of the Issuer and, provided that certain conditions described herein are satisfied, the Underlying Assets will be sold and the Notes will be redeemable (an "Auction Call Redemption"), in whole but not in part and at the applicable Redemption Price, from the disposition proceeds of all Collateral including any Eligible Investments credited to the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account); provided that funds under clauses (a) and (b) are sufficient to pay in full (i) the Redemption Amount and (ii) the Minimum Preference Share Redemption Amount. The "Minimum Preference Share Redemption Amount" equals (i) the aggregate liquidation preference of the Preference Shares minus (ii) the aggregate amount of all cash distributions on the Preference Shares (whether in respect of dividends or redemption payments) made to the Preference Share Paying Agent for distribution to the Preference Shareholders prior to the relevant Auction Date. If such conditions are not satisfied and the Underlying Assets are not disposed of prior to such Distribution Date, the Auction Agent will conduct an auction on a semi-annual basis prior to each subsequent Distribution Date (each, a "Subsequent Auction Call Date," and, together with the First Auction Call Date, each, an "Auction Date") until the Notes are redeemed in full. An auction conducted in connection with an Auction Call Redemption (an "Auction") shall be carried out in accordance with the auction procedures set forth in Schedule B attached hereto (the "Auction Procedures"). See "Description of the Notes—Auction Call Redemption."

Pursuant to the Management Agreement, the Issuer may designate the Collateral Manager as the Auction Agent (in such capacity, the "Auction Agent") in connection with the sale of the Collateral in connection with any Auction Call Redemption; provided that if the Collateral Manager or any of its Affiliates is a bidder on the Collateral, the Collateral Manager shall resign as Auction Agent and the Auction Agent for that Auction shall be the Initial Purchasers, an Affiliate of either Initial Purchaser or another unaffiliated third party as successor Auction Agent. In no event, however, will the Initial Purchasers have any obligation to act as Auction Agent with respect to the Collateral. If
an Auction Call Redemption is not successfully completed on any Auction Date, the Auction Agent shall conduct an Auction on each Subsequent Auction Call Date in accordance with the Auction Procedures on each subsequent Auction Date until an Auction Call Redemption is completed successfully. See "Schedule B—Auction Call Redemption—Auction Procedures."

**Clean-Up Call Redemption**

At the direction of the Collateral Manager, the Notes will be subject to redemption by the Issuer, in whole but not in part (a "Clean-Up Call Redemption"), at the applicable Redemption Price, on any Distribution Date selected by the Collateral Manager which occurs on or after the Distribution Date on which the aggregate outstanding principal amount of the Notes is less than or equal to 10% of the original aggregate outstanding principal amount of the Notes as of the Closing Date. Any such redemption may only be effected on a Distribution Date and only from the disposition proceeds of all Collateral including Eligible Investments credited to the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account). See "Description of the Notes—Clean-Up Call Redemption."

**Tax Redemption of the Notes**

The Issuer may redeem the Notes (such redemption, a "Tax Redemption"), in whole but not in part, at the direction of the Majority-in-Interest of Preference Shareholders. Any such redemption may only be effected on a Distribution Date at the applicable Redemption Price and only from the disposition proceeds of all Collateral including the Eligible Investment credited to the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account) on such Distribution Date. No Tax Redemption may be effected, however, unless (i) all such disposition proceeds are used, in whole or in part, to make such a Tax Redemption, (ii) such disposition proceeds are at least equal to the Redemption Amount, (iii) a Tax Event shall have occurred and (iv) the Tax Materiality Condition is satisfied. See "Description of the Notes—Tax Redemption."

**Manner of Distribution**

The Initial Purchasers are offering the Notes for sale in each case, to investors ("Original Purchasers"), subject to prior sale when, as and if issued, the approval of certain legal matters by counsel and the satisfaction of certain other conditions: (a) in the United States who are (i) Institutional Accredited Investors in reliance upon an exemption from registration provided by Section 4(2) of the Securities Act, or (ii) Qualified Institutional Buyers in reliance on the exemption from registration provided by Rule 144A and (b) outside the United States to persons that are not U.S. Persons in offshore transactions in reliance on Regulation S and, in each case, in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Notes offered for sale to a U.S. resident (within the meaning of the Investment Company Act) will be offered only to Qualified Purchasers. See "Plan of Distribution" and "Transfer Restrictions.”

**Ratings**

It is a condition to the issuance of the Notes that Moody's and Standard & Poor's assign the following ratings to the Notes:
Class | Moody's | S&P
---|---|---
Class A-1 Notes | Aaa | AAA
Class A-2 Notes | Aaa | AAA
Class B Notes | at least Aa2 | at least AA
Class C Notes | at least A2 | at least A
Class D Notes | at least Baa2 | at least BBB
Class E Notes | at least Ba2 | at least BB

The ratings assigned to the Class A Notes and the Class B Notes by Standard & Poor's address the timely payment of interest on, and the ultimate payment of the principal of the Class A Notes and the Class B Notes. The ratings assigned to the Class C Notes, Class D Notes and Class E Notes by Standard & Poor's address the ultimate payment of interest on, the Class C Notes, Class D Notes and Class E Notes. The ratings assigned to the Notes by Moody's address the ultimate cash receipt of all required payments as provided by the governing documents, and are based on the expected loss to the Noteholders of each Class relative to the promise of receiving the present value of such payments. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision at any time.

Minimum Denominations

The Notes (or interests therein) will be issuable in minimum denominations of U.S.$500,000, and in integral multiples of U.S.$1,000 in excess thereof.

Form, Registration and Transfer of the Notes

The Notes offered in reliance upon Regulation S ("Regulation S Notes") initially will be represented by one or more Temporary Regulation S Global Notes in fully registered form without interest coupons attached, deposited with, and registered in the name of, DTC (or its nominee) initially for the accounts of Euroclear, and/or Clearstream.

On the 40th day after which all of the Notes of any Class have been sold to investors other than the Initial Purchasers or their Affiliates, and subject to the receipt by the Trustee of a certificate in the form provided by the Indenture from the person holding such interest, a beneficial interest in a Class of Temporary Regulation S Global Notes may be exchanged for an interest in a Permanent Regulation S Global Note of such Class in fully registered form without coupons, in an amount equal to the aggregate principal amount of such interest in the Temporary Regulation S Global Note.

Interests in the Regulation S Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants (including Euroclear and Clearstream). Until and including the 40th day after the later of the commencement of the offering and the closing of the offering of the Notes (the "Distribution Compliance Period"), interests in a Regulation S Global Note may be held only through Euroclear or Clearstream.

The Notes offered in the United States ("Restricted Notes") will be represented by one or more Restricted Global Notes in fully registered form without interest coupons attached, deposited with, and registered in the name of, DTC (or its nominee). Interests in Restricted Global
Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants.

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

No Note (or any interest therein) may be transferred to a transferee acquiring such Note in the form of an interest in a Global Note except (a) to a transferee whom the seller reasonably believes is (i) a Qualified Institutional Buyer that is a Qualified Purchaser or (ii) a non-U.S. Person in an offshore transaction in accordance with Regulation S, (b) in compliance with the certification (if any) and other requirements set forth in the Indenture, and (c) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. See "Description of the Notes—Form, Denomination, Registration and Transfer" and "Transfer Restrictions."

**Listing**
Application has been made to the Irish Financial Services Regulatory Authority as competent authority under Directive 2003/71/EC, for the prospectus to be approved. Application has been made to the Irish Stock Exchange to admit the Notes to the Official List and trading on its regulated market. Such approval relates only to Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. See "Listing and General Information." No application will be made to list the Notes on any other exchange.

**Listing Agent and Irish Paying Agent**
RSM Robson Rhodes LLP.

**Governing Law**
The Notes, the Indenture, the Subscription Agreements, the Collateral Administration Agreement, the Management Agreement, the Interest Rate Swap Agreement, each Synthetic Security, the Initial Investment Agreement, the Preference Share Paying Agency Agreement and the Note Purchase Agreement will be governed by the law of the State of New York. The Issuer Charter, the Preference Shares and the Administration Agreement will be governed by the law of the Cayman Islands.

**Tax Matters**
See "Tax Considerations."

**Benefit Plan Investors**
See "ERISA Considerations."
RISK FACTORS

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

Risks Relating to the Notes

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

**Limited Liquidity.** There is currently no market for the Notes. The Initial Purchasers currently do not intend to make a market in Notes, and the Initial Purchasers are under no obligation to do so. In the event that the Initial Purchasers commence any market-making, it may discontinue market-making at any time. There can be no assurance that a secondary market for any of the Notes will develop, or, if a secondary market does develop, that it will provide the holders of such Notes with liquidity of investment or that it will continue for the life of the Notes. In addition, the Notes are subject to transfer restrictions and can only be transferred to certain transferees as described under “Transfer Restrictions.” Consequently, an investor in the Notes must be prepared to hold its Notes for an indefinite period of time or until their Stated Maturity.

**Limited-Recourse Obligations.** The Notes are limited-recourse obligations of the Issuer and the Co-Issuer. The Notes are payable solely from the Underlying Assets and other Collateral pledged by the Issuer to secure the Notes. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Co-Issuer, the Trustee, the Administrator, the Rating Agencies, the Share Trustee, the Collateral Manager, the Initial Purchasers, any of their respective affiliates or any other person or entity will be obligated to make payments on the Notes. Consequently, the holders of the Notes (the "Noteholders”) must rely solely on amounts received in respect of the Underlying Assets and other Collateral pledged to secure the Notes for the payment of principal thereof and interest thereon. There can be no assurance that the distributions on the Underlying Assets and other Collateral pledged by the Issuer to secure the Notes will be sufficient to make payments on any Class of Notes, in particular after making payments on more Senior Classes of Notes and certain other required amounts ranking Senior to such Class. The ability of the Issuers to make payments in respect of any Class of Notes will be constrained by the terms of the Notes of Classes more Senior to such Class and the Indenture. If distributions on the Collateral are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Issuers to pay such deficiencies will be extinguished.

**Limited Source of Funds to pay Expenses of the Issuer.** The funds available to the Issuer to pay its expenses on any Distribution Date are limited to the Fee Cap Amount plus an amount up to U.S.$150,000 per annum plus any Interest Proceeds remaining after the payments described in clauses (1) through (17) under "Description of the Notes—Priority of Payments—Interest Proceeds" and, in some cases, a portion of the Principal Proceeds remaining after the payments described in clauses (1) through (12) under "Description of the Notes—Priority of Payments—Principal Proceeds.” In the event that such funds are not sufficient to pay the expenses incurred by the Issuer, the ability of the Issuer to operate effectively may be impaired, and it may not be able to defend or prosecute legal proceedings brought against it or which it might otherwise bring to protect the interests of the Issuer or pay the expenses of legal proceedings against persons which the Issuer has indemnified.

**Subordination of each Class of Subordinate Notes.** No payment of interest on any Class of Notes will be made until all accrued interest due and payable on the Notes of each Class that is Senior to such Class has been paid in full. No payment of principal of any Class of Notes will be made until all principal of, and all accrued interest due and payable on, the Notes of each Class that is Senior to such Class have been paid in full, except:

(a) on any Distribution Date occurring on or before the last day of the Priority Distribution Period, Interest Proceeds will be applied, in an amount available for such purpose, if any, on the relevant Distribution Date, to pay principal of the Class D Notes in an amount up to the Class D Priority
Redemption Amount for such Distribution Date as set forth in Schedule G to this Offering Circular until 10% of the aggregate principal amount of the Class D Notes as of the Closing Date is redeemed; and on any Distribution Date occurring after August 2009, 15% of the Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the holders of the Preference Shares will be applied to pay principal of the Class D Notes until the Class D Notes are paid in full; and

(b) on any Distribution Date occurring on or after the Accelerated Amortization Date and if any Class of Notes is outstanding, Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied to pay, first the principal of the Class D Notes, second, the principal of the Class C Notes, third, the principal of the Class B Notes, fourth, the principal of the Class A-2 Notes and fifth, the principal of the Class A-1 Notes, in each case until such Class has been paid in full. See "Description of the Notes—Priority of Payments.”

If an Event of Default occurs, so long as any Notes are outstanding, the holders of the most Senior Class of Notes then outstanding will be entitled to determine the remedies to be exercised under the Indenture. So long as a more Senior Class of Notes remains outstanding, failure to make payments in respect of interest on the Class C Notes, the Class D Notes or the Class E Notes, as the case may be, on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture. In the event of any realization on the Collateral, proceeds will be allocated to the Notes and payment of other amounts in accordance with the Priority of Payments prior to any distribution to the Preference Shareholders. See "Description of the Notes—The Indenture” and “—Priority of Payments.” Remedies pursued by the holders of the Class or Classes of Notes entitled to determine the exercise of such remedies could be adverse to the interest of the holders of the other Classes of Notes. To the extent that any losses are suffered by any of the holders of any Notes or Preference Shares, such losses will be borne, first, by the holders of the Preference Shares (the "Preference Shareholders"), second, by the holders of the Class E Notes, third, by the holders of the Class D Notes, fourth, by the holders of the Class C Notes, fifth, by the holders of the Class B Notes, sixth, by the holders of the Class A-2 Notes and seventh, by the holders of the Class A-1 Notes.

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

**Priority Distribution Period: Accelerated Amortization.** On any Distribution Date occurring (a)(i) on or before the last day of the Priority Distribution Period, Interest Proceeds will be applied, in an amount available for such purpose, if any, on the relevant Distribution Date, to pay principal of the Class D Notes in an amount up to the Class D Priority Redemption Amount for such Distribution Date as set forth in Schedule G to this Offering Circular until 10% of the aggregate principal amount of the Class D Notes as of the Closing Date is redeemed; and (a)(ii) on any Distribution Date occurring after August 2009, 15% of the Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the holders of the Preference Shares will be applied to pay principal of the Class D Notes until the Class D Notes are paid in full, or (b) on or after the Accelerated Amortization Date, Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the holders of the Preference Shares will be applied to pay, first, the principal of the Class D Notes, second, the principal of the Class C Notes, third, the principal of the Class B Notes, fourth, the principal of the Class A-2 Notes and fifth, the principal of the Class A-1 Notes, in each case until such Class has been paid in full. By reason of such application of Interest Proceeds, the Class D Notes may be repaid in full prior to the full repayment of the Class A Notes, the Class B Notes and the Class C Notes. See "Description of the Notes—Priority of Payments—Interest Proceeds.”

**Investment Company Act.** The Issuers have not registered with the United States Securities and Exchange Commission (the "SEC") as an investment company pursuant to the Investment Company Act. The Issuer has not
so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States or any state thereof (a) whose investors resident in the United States are solely "qualified purchasers" or "knowledgeable employees" (within the meaning given to such terms in the Investment Company Act and the regulations of the SEC thereunder) with respect to the Issuer or certain transferees thereof identified in Rule 3c-6 under the Investment Company Act and (b) which do not make a public offering of their securities in the United States. U.S. counsel for the Issuers will opine, in connection with the sale of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes by the Initial Purchasers and the Preference Shares by the Issuer that neither the Issuer nor the Co-Issuer is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Notes or Preference Shares are sold by the Initial Purchasers or the Issuer, as the case may be, in accordance with the terms of the Note Purchase Agreement or, in the case of the Preference Shares and the Class E Notes, the Subscription Agreements). No opinion or no-action position has been requested of the SEC.

To rely on Section 3(c)(7) of the Investment Company Act, the Issuers must have a "reasonable belief" that all purchasers of the Notes and the Preference Shares (including the Initial Purchasers and subsequent transferees) are Qualified Purchasers. Given that transfers of beneficial interests in the Notes will generally be effected only through DTC and its participants and indirect participants without delivery of written transferee certifications to the Issuers, the Issuers will establish the existence of such a reasonable belief by means of the deemed representations, warranties and agreements described under "Transfer Restrictions," the agreements of the Initial Purchasers referred to under "Plan of Distribution" and the procedures described below. Although the SEC has stated that it is possible for an issuer of securities to satisfy the reasonable belief standard referred to above by establishing procedures to provide a means by which such issuer can make a reasonable determination as to status of its securityholders as Qualified Purchasers, the SEC has not approved, and has stated that it will not approve, any particular set of procedures including the procedures described herein. Accordingly, there can be no assurance that the Issuers will have satisfied the reasonable belief standard referred to above.

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

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

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Issuers determines that any beneficial owner of a Restricted Note (or any interest therein) (a) is a U.S. Person and (b) is not both a Qualified Institutional Buyer (or, in respect of certain Original Purchasers, an Institutional Accredited Investor) and a Qualified Purchaser, then either of the Issuers may require, by notice to such beneficial owner, that such beneficial owner sell all of its right, title and interest to such Restricted Note (or interest therein) to a person that is (m) a non-U.S. Person in a transfer for an interest in a Regulation S Note, or (n) both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (x) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the
Issuer, shall cause such beneficial owner's interest in such Restricted Note to be transferred in a commercially reasonable sale (conducted by an investment bank selected by the Trustee with the consent of the Collateral Manager in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person to whom such Restricted Note (or interest therein) may be transferred in accordance with the transfer restrictions set forth in the Indenture and (y) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

**Mandatory Redemption.** If a Coverage Test is not satisfied on a Determination Date, Interest Proceeds, to the extent funds are available in accordance with the Priority of Payments and to the extent necessary to restore the Coverage Test to certain minimum required levels, will be used to repay principal of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, sequentially in order of seniority on the immediately succeeding Distribution Date. In addition, Principal Proceeds will be applied on each Distribution Date (after payment of certain other amounts) to repay the principal of each Class of Notes sequentially in direct order of seniority. Any of these events could result in an elimination, deferral or reduction in the interest payments or principal repayments made to the Noteholders, which could adversely impact the returns of the holders of the Notes. See "Description of the Notes—Principal,"—Mandatory Redemption" and "—Priority of Payments."

**Optional Redemption.** The Notes may be redeemed, in whole and not in part, pursuant to an Optional Redemption on any Distribution Date on or after the August 2009 Distribution Date at the direction of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the Preference Shares, provided that no such Optional Redemption may be effected unless the Redemption Amount is paid in full on the date of such redemption in accordance with the Priority of Payments. See "Description of the Notes—Optional Redemption".

Interests of the holder of the Preference Shares in determining whether to elect to require an Optional Redemption of the Notes may be different from the interests of the holders of the Notes in such respect. The holders of the Notes may not be able to invest the proceeds of the redemption of their Notes in one or more comparable investments providing a return equal to or greater than the return such holders of the Notes expected to obtain from their investment in the Notes.

**Auction Call Redemption.** On the First Auction Call Date and on each subsequent Auction Date (unless previously redeemed or the holders of at least sixty-six and two-thirds percent (66 2/3%) of the Preference Shares have directed an Optional Redemption), the Notes shall be redeemable, in whole but not in part, pursuant to an Auction Call Redemption from (a) the disposition proceeds of all Collateral including Eligible Investments credited to the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account), at the applicable Redemption Price; provided that no Auction Call Redemption shall be completed except in accordance with the Auction Procedures and unless funds under clauses (a) and (b) are sufficient to pay in full (i) the Redemption Amount and (ii) the Minimum Preference Share Redemption Amount. See "Description of the Notes—Auction Call Redemption" and "Schedule B—Auction Call Redemption—Auction Procedures."

**Clean-Up Call Redemption.** At the direction of the Collateral Manager, the Notes will be subject to redemption in whole but not in part, at their Redemption Price on or after the Distribution Date on which the aggregate outstanding principal amount of the Notes is less than or equal to 10% of the original aggregate outstanding principal amount of the Notes as of the Closing Date; provided that any such redemption is subject to certain conditions described below under "Description of the Notes—Clean-Up Call Redemption."

**Tax Redemption.** The Issuer may redeem the Notes, in whole but not in part, at the direction of the Majority-in-Interest of Preference Shareholders. Any such redemption may only be effected on a Distribution Date and only from the disposition proceeds of all Collateral including the Eligible Investments credited to the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account) on such Distribution Date, at the applicable Redemption Price. No Tax Redemption may be effected, however, unless (i) all such disposition proceeds are used, in whole or in part, to make such a Tax Redemption, (ii) such disposition proceeds are sufficient to pay in full the Redemption Amount, (iii) a Tax Event shall have occurred and (iv) the Tax Materiality Condition is satisfied. See "Description of the Notes—Tax Redemption." A Tax Redemption, if effected, may reduce amounts that would otherwise be paid to the Preference Share Paying
The Notes bear interest at a rate based on three-month LIBOR as determined on the
relevant LIBOR Determination Date. The Asset-Backed Securities will include obligations that bear interest at
fixed rates or are subject to interest rate caps and the Synthetic Securities will pay fixed amounts. Accordingly, the
Notes are subject to interest rate risk to the extent that there is an interest rate mismatch between the floating rate at
which interest accrues on such Notes and the fixed rate at which interest accrues on the fixed rate Underlying Assets
and any limitation on floating rate created on Asset-Backed Securities by related interest rate caps. In addition, any
payments of principal of or interest on the Underlying Assets received during a Due Period will be reinvested in
Eligible Investments maturing not later than the next Distribution Date. There is no requirement that Eligible
Investments bear interest at LIBOR, and the interest rates available for Eligible Investments are inherently uncertain.
As a result of these mismatches, an increase in three-month LIBOR could adversely impact the ability of the Issuer

An Accelerated Maturity Date may occur even if there are insufficient proceeds to make any distribution on
the Preference Shares or, if the holders of at least 66 2/3% in aggregate outstanding principal amount of each Class
of Notes voting as a separate Class so direct, even if there are insufficient funds to pay the Redemption Price of each
Class of Notes in full, provided that, so long as one or more Affiliates of the Collateral Manager is the holder of at
least 66 2/3% in aggregate outstanding principal amount of the Class E Notes, such an Accelerated Maturity Date
will require, effectively, the consent of one or more Affiliates of the Collateral Manager.

Termination of Interest Rate Swap Agreement and Liquidation of Collateral Upon Redemption. The
Interest Rate Swap Agreement will terminate upon a Clean-Up Call Redemption, Optional Redemption, Tax
Redemption or Auction Call Redemption and on the Accelerated Maturity Date, which may require the Issuer to
make a termination payment to the Interest Rate Swap Counterparty. Any such termination payment would reduce
the proceeds available to be distributed on the Notes. Furthermore, in the event that on any date the Net Outstanding
Underlying Asset Balance is less than the Notional Amount of the Interest Rate Swap Transaction, the Notional
Amount of the Interest Rate Swap Transaction will be reduced such that the Notional Amount is equal to the Net
Outstanding Underlying Asset Balance. The Issuer may owe a termination payment to the Interest Rate Swap
Counterparty in connection with any Interest Rate Swap Termination. Any such payment would reduce the
proceeds available to be distributed on the Notes. In addition, a Clean-Up Call Redemption, an Optional
Redemption, a Tax Redemption, an Auction Call Redemption or the occurrence of an Accelerated Maturity Date
may require the Collateral Manager to liquidate positions more rapidly than would otherwise be desirable, which
could adversely affect the realized value of the Underlying Assets sold. Moreover, the Collateral Manager may be
required, in order to dispose of all the Underlying Assets, to aggregate Underlying Assets in a block transaction,
thereby possibly resulting in a lower realized value for the Underlying Assets sold.

Disposition of Underlying Assets by the Collateral Manager Under Certain Circumstances. Under the
Indenture, during certain periods, the Collateral Manager has the right, but not the obligation, to purchase from the
Issuer, at a price equal to fair market value, UnderlyingAssets that are Credit Risk Obligations, Defaulted
Securities, Withholding Securities or Written Down Securities, subject to satisfaction of the conditions described
herein. Such disposition of Underlying Assets may result in losses by the Issuer, which losses may result in the
reduction or withdrawal of the rating of any or all of the Notes by any of the Rating Agencies. On the other hand,
circumstances may exist under which it is in the best interests of the Issuer to dispose of Underlying Assets, but the
Collateral Manager does not, or is not permitted to, exercise the right to purchase such assets.

Interest Rate Risk. The Notes bear interest at a rate based on three-month LIBOR as determined on the
relevant LIBOR Determination Date. The Asset-Backed Securities will include obligations that bear interest at
fixed rates or are subject to interest rate caps and the Synthetic Securities will pay fixed amounts. Accordingly, the
Notes are subject to interest rate risk to the extent that there is an interest rate mismatch between the floating rate at
which interest accrues on such Notes and the fixed rate at which interest accrues on the fixed rate Underlying Assets
and any limitation on floating rate created on Asset-Backed Securities by related interest rate caps. In addition, any
payments of principal of or interest on the Underlying Assets received during a Due Period will be reinvested in
Eligible Investments maturing not later than the next Distribution Date. There is no requirement that Eligible
Investments bear interest at LIBOR, and the interest rates available for Eligible Investments are inherently uncertain.
As a result of these mismatches, an increase in three-month LIBOR could adversely impact the ability of the Issuer
to make payments on the Notes. With a view to mitigating a portion of such interest rate mismatch, the Issuer will on the Closing Date enter into the Interest Rate Swap Agreement. The Interest Rate Swap Agreement will expire after the August 2010 Distribution Date. However, there can be no assurance that the Underlying Assets and Eligible Investments, together with such transactions under the Interest Rate Swap Agreement, will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Notes. Moreover, the benefits of such transactions under the Interest Rate Swap Agreement may not be achieved in the event of the early termination of the Interest Rate Swap Agreement, including termination upon the failure of the Issuer or the related Interest Rate Swap Counterparty to perform its obligations thereunder. See "Security for the Notes—The Interest Rate Swap Agreement."

Pursuant to the Indenture, the Issuer may (i) enter into a replacement Interest Rate Swap Agreement or (ii) enter into an additional Interest Rate Swap Agreement only with the consent of the Collateral Manager and (a) the satisfaction of the Rating Condition and (b) with respect to any additional Interest Rate Swap Agreement, the Interest Rate Swap Counterparty consents to such additional Interest Rate Swap Agreement. If an Interest Rate Swap Agreement terminates it may be difficult or impossible for the Issuer to enter into a replacement Interest Rate Swap Agreement and sufficient Interest Proceeds may not be available to pay interest when due on one or more Classes of Notes. If interest is not paid on the most Senior Class of Notes then outstanding, an Event of Default under the Indenture may occur. In limited circumstances specified in the Interest Rate Swap Agreement, the Interest Rate Swap Counterparty has the unilateral right to reduce the notional amount of such Interest Rate Swap Agreement, in which event the Issuer may be required to pay a termination payment to the Interest Rate Swap Counterparty.

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

The average life of each Class of Notes will be affected by the financial condition of the obligors on or issuers of the Underlying Assets, the characteristics of the Underlying Assets, including the existence and frequency of exercise of any prepayment, optional redemption or sinking fund features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities, the frequency of tender or exchange offers for the Underlying Assets and any dividends or other distributions received in respect of Equity Securities and the occurrence of the Auction Call Redemption. See "Maturity and Prepayment Considerations," "Security for the Notes" and "Description of the Notes—Auction Call Redemption."

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

As a condition to the payment of principal of and interest on any Notes without U.S. federal back-up withholding, the Issuers may require the delivery of properly completed and signed applicable U.S. federal income tax certifications (generally, an Internal Revenue Service Form W-9 (or applicable successor form) in the case of a person that is a "United States person" within the meaning of Section 7701(a)(30) of the Code or the applicable Internal Revenue Service Form W-8 BEN (or applicable successor form) in the case of a person that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code).

**Additional Taxes.** The Issuer expects that payments received on the Underlying Assets, Eligible Investments and the Interest Rate Swap Agreement generally will not be subject to withholding or other taxes imposed by the United States. Payments on the Underlying Assets and Eligible Investments and under the Interest Rate Swap Agreement, however, might become subject to U.S. or other tax due to a change in law or other causes. Payments with respect to Equity Securities likely will be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. The imposition of unanticipated withholding taxes or tax on the Issuer's net income could materially impair the Issuer's ability to pay principal of and interest on the Notes and dividends and return of capital in respect of the Preference Shares. Upon the occurrence, solely as a result of
Cayman Islands law, of any such events set forth in the preceding sentence, the Issuer will use its best endeavors to procure (i) the substitution of a company incorporated in another jurisdiction in which the relevant tax does not apply or (ii) the establishment of a branch office in another jurisdiction in which the relevant tax does not apply from which it will continue to carry out its functions under the Notes, subject in each case to the prior receipt by the Issuer and the Trustee of written confirmation from each Rating Agency that the rating of the Notes will not be adversely affected by such substitution or change of jurisdiction. As soon as practicable after such investigation, the Issuer will send written notice to the Trustee as to whether either of such actions will be taken by the Issuer. No assurance can be made that any such actions by the Issuer will eliminate any such withholding taxes or tax on the Issuer's net income.

Risks Relating to the Collateral

Nature of the Collateral. The Underlying Assets are subject to credit, liquidity, interest rate, market operations, fraud, structural, legal and other risks. In addition, a significant portion of the Underlying Assets may be substituted after the Closing Date with Eligible Substitute Assets and accordingly the financial performance of the Issuer may be affected by the performance of the Eligible Substitute Assets acquired. The amount and nature of the Collateral securing the Notes have been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Underlying Assets. See "Ratings of the Notes". If any deficiencies arise, however, payment of the Notes could be adversely affected. To the extent that a default occurs with respect to any Underlying Asset securing the Notes and the Issuer (upon the advice of the Collateral Manager) sells or otherwise disposes of such Underlying Asset, it is not likely that the proceeds of such sale or disposition will be equal to the amount of principal and interest owing to the Issuer in respect of such Underlying Asset.

The market value of the Underlying Assets generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the Underlying Assets or, with respect to Synthetic Securities, of the obligors on or issuers of the Reference Obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

If an Underlying Asset becomes an Equity Security, Credit Risk Obligation, Defaulted Security, Withholding Security or Written Down Security, the Collateral Manager may or may not elect to purchase the affected asset. There can be no assurance as to the timing of the Collateral Manager's purchase of the affected asset, or as to the rates of recovery on such affected asset. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to maturity of the Notes.

Although the Issuer is permitted to invest in Asset-Backed Securities and Synthetic Securities, the Issuer may find that, as a practical matter, these investment opportunities are not available to it for a variety of reasons such as the limitations imposed by the Substitution Criteria and the Collateral Quality Tests. At any time there may be a limited universe of investments that would satisfy the Substitution Criteria and the Collateral Quality Tests given the other investments in the Issuer's portfolio. As a result, the Issuer may at times find it difficult to acquire suitable investments. See "Security for the Notes".

The ability of the Issuer to dispose of Underlying Assets prior to maturity is subject to certain restrictions under the Indenture.

Asset-Backed Securities. The Underlying Assets will consist of Asset-Backed Securities, which may include, without limitation, CMBS Securities, RMBS Securities, Automobile Securities, Small Business Loan Securities, Car Rental Fleet Securities, CDO Securities, Credit Card Securities, Equipment Lease Securities and Student Loan Securities, or Synthetic Securities with Reference Obligations as Asset-Backed Securities. "Asset-Backed Securities" are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities. See "Security for the Notes—Underlying Assets—Asset-Backed Securities".

Holders of Asset-Backed Securities bear various risks, including interest rate risks, market risks, credit risks, liquidity risks, operations risks, structural risks and legal risks. Credit risk is an important issue in Asset-
Backed Securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. The structure of an Asset-Backed Security and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Although the basic elements of all Asset-Backed Securities are similar, individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the relative seniority or subordination of the class of Asset-Backed Security held by the investor, the process by which principal and interest payments are allocated to investors, how credit losses affect the issuing vehicle and the return to investors, whether collateral represents a static or revolving pool of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the asset-backed instrument) any remaining balance in the accounts may revert to the issuing company and the extent to which the company that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors. See "Security for the Notes—Underlying Assets—Asset-Backed Securities" below.

Liquidity risk can arise from an increase in perceived credit risk, as occurred in 1996 and 1997 with the rise in reported delinquencies and losses on securitized pools of credit cards. Liquidity can also become a major concern for asset-backed commercial paper programs if concerns about credit quality, for example, lead investors to avoid the commercial paper issued by the relevant special-purpose entity. For these cases, the securitization transaction may include a "liquidity facility," which requires the facility provider to advance funds to the relevant special-purpose entity should liquidity problems arise. To the extent that the bank originating the loans is also the provider of the liquidity facility, and that the bank is likely to experience similar market concerns if the loans it originates deteriorate, the ultimate practical value of the liquidity facility to the transaction may be questionable. Operations risk arises through the potential for misrepresentation of the loan quality or terms by the originating institution, misrepresentation of the nature and current value of the assets by the servicer and inadequate controls over disbursements and receipts by the servicer.

If the servicer becomes subject to financial difficulty or otherwise ceases to be able to carry out its function, it may be difficult to find other acceptable substitute servicers and cash flow disruptions or losses may occur. Structural and legal risks include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or Affiliates), the assets of the Issuer could be treated as never having been truly sold by the originator to the Issuer and could be substantively consolidated with those of the originator, or the transfer of such assets to the Issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and reductions. Other similar risks relate to the degree to which cash flows on the assets of the Issuer may be commingled with those on the originator's other assets.

Residential ABS Securities. Most of the Underlying Assets will consist of Residential ABS Securities. Residential ABS Securities represent interests in pools of residential mortgage loans secured by one- to four-family residential mortgage loans. Such loans may be prepaid at any time. See "Maturity, Prepayment and Yield Considerations". Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

Residential mortgage loans may be subject to various Federal and state laws, public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws, public policies and principles may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions.

At any one time, the portfolio of Residential ABS Securities may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a
result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called “jumbo” mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans. As a result, the related mortgaged properties may have a more limited market than those securing average-sized residential mortgage loans.

**Commercial Mortgage-Backed Securities.** Asset-Backed Securities include Commercial Mortgage-Backed Securities. Commercial Mortgage-Backed Securities are securities backed by obligations (including participation interests in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, apartments, cooperatives, nursing homes and senior living centers. Commercial Mortgage-Backed Securities have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, including senior and subordinated classes. Risks affecting real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicality and leverage associated with real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally are non-recourse loans, lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. In some cases, the properties securing commercial mortgage loans may be subject to additional debt that may affect the related borrower's ability to refinance the loan and/or result in reduced cash flow and deferred maintenance. Additional risks may be presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator; and the transferability of a hotel's operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements. All of these factors increase the risks involved with commercial real estate lending. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. Commercial lending is generally viewed as exposing a lender to a greater risk of loss than residential mortgage lending since it typically involves larger loans to a single borrower or related borrowers than residential mortgage lending.

Commercial mortgage lenders typically look to the debt service coverage ratio of a loan secured by income-producing property as an important measure of the risk of default on such a loan. Commercial property values and net operating income are subject to volatility, and net operating income may be sufficient or insufficient to cover debt service on the related mortgage loan at any given time. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project rather than upon the liquidation value of the underlying real estate or the existence of independent income or assets of the borrower. Furthermore, the net operating income from and value of any commercial property may be adversely affected by risks generally incident to interests in real property, including events which the borrower or manager of the property, or the issuer or servicer of the related issuance of Commercial Mortgage-Backed Securities, may be unable to predict or control, such as changes in general or local economic conditions and/or specific industry segments: declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; acts of war; acts of terrorism; and social unrest and civil disturbances. The value of commercial real estate is also subject to a number of laws, such as laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

A commercial property may not readily be converted to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable. In such cases, the conversion of the commercial property to an alternative use would generally require substantial capital expenditures. Thus, if the borrower becomes unable to meet its obligations under the related commercial mortgage loan, the liquidation value of any such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property were readily adaptable to other uses.
The exercise of remedies and successful realization of liquidation proceeds may be highly dependent on the performance of Commercial Mortgage-Backed Securities servicers or special servicers, of which there may be a limited number and which may have conflicts of interest in any given situation.

Commercial Mortgage-Backed Securities may pay fixed or floating rates of interest. Fixed rate Commercial Mortgage-Backed Securities, like all fixed-income securities, generally decline in value as interest rates rise. Moreover, although generally the value of fixed-income securities increases during periods of falling interest rates, this inverse relationship may not be as marked in the case of Commercial Mortgage-Backed Securities due to the increased likelihood of prepayments during periods of falling interest rates. This effect is mitigated to some degree for mortgage loans providing for a period during which no prepayments may be made.

Mortgage loans underlying a Commercial Mortgage-Backed Securities issue may lack regular amortization of principal, resulting in a single "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or even default.

**Synthetic Securities.** A portion of the Underlying Assets may consist of Synthetic Securities, the Reference Obligations of which are Asset-Backed Securities (primarily, Residential ABS Securities). Investments in such types of assets through the acquisition of Synthetic Securities present risks in addition to those resulting from direct acquisition of such Underlying Assets. With respect to Synthetic Securities, the Issuer will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the Reference Obligor on the Reference Obligation. The Issuer generally will have no right directly to enforce compliance by the Reference Obligor with the terms of either the Reference Obligation or any rights of set-off against the Reference Obligor, nor will the Issuer generally have any voting or other consensual rights of ownership with respect to the Reference Obligation.

**Exposure to Credit Risks - the Reference Obligations and the Synthetic Securities Counterparties.** The obligation of the Issuer to make payments to each Synthetic Security Counterparty relating to the Synthetic Securities creates exposure to the credit risk of the Reference Obligations related to such Synthetic Securities. The funds available to make payments in respect of principal on the Notes is dependent upon whether and to what extent payments are due and payable by the Issuer to a Synthetic Security Counterparty relating to the Synthetic Securities. Any settlement payments and termination payments payable by the Issuer (net of termination payments payable by a Synthetic Security Counterparty) due and owing to a Synthetic Security Counterparty will reduce the amount available to pay the obligations of the Issuer to the Noteholders in inverse order of Seniority. Accordingly, the holders of the Preference Shares and then the Noteholders may lose all or a portion of their investment. The Issuer will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation.

In addition, in the event of the insolvency of the First Synthetic Security Counterparty or any other Synthetic Security Counterparty, the Issuer will be treated as a general unsecured creditor of such counterparty, and will not have any claim of title with respect to the Reference Obligation. Consequently, the Issuer will be subject to the credit risk of the counterparty as well as that of the Reference Obligor. As a result, concentrations of Synthetic Securities entered into with any one counterparty will subject the Notes to an additional degree of risk with respect to defaults by or the insolvency of such counterparty as well as by the Reference Obligor. One or more Affiliates of the Initial Purchasers may act as counterparty with respect to all or a portion of the Synthetic Securities, which relationship may create certain conflicts of interest. See "—Conflicts of Interest Involving the Initial Purchasers" below.

Additionally, while the Issuer expects that the returns on a Synthetic Security will generally reflect those of the related Reference Obligation, as a result of the terms of the Synthetic Security and the assumption of the credit risk of the Synthetic Security Counterparty, a Synthetic Security may have a different expected return, a different (and potentially greater) probability of default and expected loss characteristics following a default, and a different expected recovery following default. Additionally, when compared to the related Reference Obligation, the terms of a Synthetic Security may provide for different maturities, payment dates, interest rates, interest rate references, credit exposures, or other credit or non-credit related characteristics. Upon maturity, default, acceleration or any other termination (including a put or call) other than pursuant to a credit event (as defined therein) of the Synthetic
Security, the terms of the Synthetic Security may permit or require the issuer of such Synthetic Security to satisfy its obligations under the Synthetic Security by delivering to the Issuer securities other than the Reference Obligation or an amount different than the then current market value of the Reference Obligation.

If the Issuer is obligated to make a Floating Amount Payment under a Synthetic Security, such Floating Amount Payment may result in a reduction of the Principal/Notional Balance of such Synthetic Security, and therefore reduce the amounts payable by a Synthetic Security Counterparty and the amount of Interest Proceeds available to pay the Notes. In addition, any Floating Amount Payment related to writedowns or failure to pay principal will reduce the Aggregate Principal/Notional Balance of Synthetic Securities that are available to pay the principal of the Notes.

**Limited Information with Respect to the Reference Obligations.** Synthetic Security Counterparties are not required to hold any Reference Obligation. The Issuer will not have any right to obtain from the issuer of the Reference Obligations, any related trustee, fiscal agent, collateral manager or custodian information on the Reference Obligations or information regarding any obligation of any Reference Obligation. Synthetic Security Counterparties will have no obligation to keep the Issuer, the Trustee, the Collateral Manager or the Noteholders informed as to matters arising in relation to any Reference Obligation including whether or not circumstances exist under which there is a possibility of the occurrence of a Credit Event or an obligation to make Floating Amount Payments.

**No Legal or Beneficial Interest in Reference Obligations.** Under the Synthetic Securities, the Issuer will have a contractual relationship only with the related Synthetic Security Counterparty and not with the issuer or obligor of any Reference Obligation. Consequently, the Synthetic Securities do not constitute an acquisition or other acquisition or assignment of any interest in any Reference Obligation. The Issuer generally will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of set-off against the Reference Obligor, nor have any voting or other consensual rights of ownership with respect to the Reference Obligation and will not have the benefit of the remedies that would normally be available to the holder of such Reference Obligation. The Issuer and the Trustee, therefore, will have rights solely against the related Synthetic Security Counterparty in accordance with the Synthetic Securities. In addition, neither a Synthetic Security Counterparty nor its affiliates will be (or deemed to be acting as) the agent or trustee of the Issuer or the Noteholders in connection with the exercise of, or the failure to exercise, any of the rights or powers of a Synthetic Security Counterparty and/or its affiliates arising under or in connection with their respective holding of any Reference Obligation. Each Synthetic Security Counterparty and its affiliates (i) may deal in any Reference Obligation and will not have the benefit of the remedies that would normally be available to the holder of such Reference Obligation. The Issuer and the Trustee, therefore, will have rights solely against the related Synthetic Security Counterparty in accordance with the Synthetic Securities. In addition, neither a Synthetic Security Counterparty nor its affiliates will be (or deemed to be acting as) the agent or trustee of the Issuer or the Noteholders in connection with the exercise of, or the failure to exercise, any of the rights or powers of a Synthetic Security Counterparty and/or its affiliates arising under or in connection with their respective holding of any Reference Obligation. Each Synthetic Security Counterparty and its affiliates (i) may deal in any Reference Obligation, (ii) may generally engage in any kind of commercial or investment banking or other business transactions with any issuer of a Reference Obligation, and (iii) may act with respect to transactions described in the preceding clauses (i) and (ii) in the same manner as if a Synthetic Security Counterparty and the Notes did not exist and without regard to whether any such action might have an adverse affect on such Reference Obligation, the Issuer or the Noteholders.

**Legal Risk relating to the Synthetic Securities.** Initially the Synthetic Securities will be "Pay-As-You-Go" credit default swaps. "Pay-As-You-Go" credit default swaps are a new type of credit default swap developed to incorporate the unique structures of Asset-Backed Securities. In June 2005, the International Swaps and Derivatives Association, Inc. ("ISDA") published its first form confirmation for "Pay-As-You-Go" credit default swaps referencing Residential ABS Securities. The form Confirmation attached as **Schedule H** and the form Confirmation attached as **Schedule I** are substantially the same, but not exactly the same as the ISDA "Pay-As-You-Go" form. While ISDA has published its form confirmation and has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the "Pay-As-You-Go" credit default swap forms and the Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution. In addition, the form Confirmation attached as **Schedule H** is structured for Residential ABS Securities, and the form Confirmation attached as **Schedule I** is structured for Commercial Mortgage-Backed Securities. ISDA is currently preparing forms for other types of Asset-Backed Securities. There can be no assurance that such forms will be substantially similar to the form Confirmation. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. As a result of the continued evolution of the ISDA "Pay-As-You-Go" credit default swap forms, the Confirmations may differ from the future market standard. Such a result may have a negative impact on the liquidity and market value of the Synthetic Securities.
There can be no assurances that changes to the Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be predictable or favorable to the Issuer. Amendments or supplements to the "Pay-As-You-Go" credit default swap forms and amendments and supplements to the Credit Derivatives Definitions that are published by ISDA will only apply to the Synthetic Securities executed prior to such amendment or supplement if the Issuer and the related Synthetic Security Counterparty agree to amend the Synthetic Securities to incorporate such amendments or supplements, and the Rating Condition is satisfied. In addition, the Issuer and the Synthetic Security Counterparty may enter into additional Synthetic Securities that incorporate such amendments and supplements as long as the Rating Condition has been satisfied. Markets in different jurisdictions have also already adopted and may continue to adopt different practices with respect to the Credit Derivatives Definitions. Furthermore, the Credit Derivatives Definitions may contain ambiguous provisions that are subject to interpretation and may result in consequences that are adverse to the Issuer. In addition to the credit risk of the Reference Obligations and the credit risk of the related Synthetic Security Counterparty, the Issuer is also subject to the risk that the Credit Derivatives Definitions could be interpreted in a manner that would be adverse to the Issuer or that the credit derivatives market generally may evolve in a manner that would be adverse to the Issuer.

**Synthetic Security Collateral Account and the Reliance on the Credit Worthiness of Eligible Investments held therein.** The Synthetic Securities may require the Issuer to secure its obligations with respect to each such Synthetic Security. As directed by the Collateral Manager in writing, cash on deposit in the Synthetic Security Collateral Account on behalf of each Synthetic Security Counterparty will be invested in Eligible Investments. Amounts on deposit in the Synthetic Security Collateral Account will be applied, as directed by the Collateral Manager, to the payment of any amounts owed by the Issuer to each Synthetic Security Counterparty on the date any such amounts are due. Any Excess Collateral Account Amount will be withdrawn from the Synthetic Security Collateral Account and deposited to the Principal Collection Account as Principal Proceeds or with respect to any substitution with an Eligible Substitute Asset, deposited to the Substituted Collateral Account; provided that to the extent that any such withdrawal from the Synthetic Security Collateral Account would require a withdrawal from any Investment Agreement, such withdrawal may only be made in accordance with the terms of such Investment Agreement. Any income on Eligible Investments contained in the Synthetic Security Collateral Account will be withdrawn from such account and deposited in the Collection Account for distribution as Interest Proceeds. Cash and Eligible Investments on deposit in the Synthetic Security Collateral Account will be included in the Collateral to the extent provided under "Security for the Notes—General" herein, will not be available to make payments under the Notes and shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests or the Coverage Tests, but the Synthetic Securities that relate to such Synthetic Security Collateral Account shall be considered an asset of the Issuer. The Issuer will bear the risk of any losses with respect to the Eligible Investments held in the Synthetic Security Collateral Account. Therefore, with respect to each Synthetic Security, the Issuer bears the risk of the Reference Obligation, the related Synthetic Security Counterparty and the credit and market risks relating to the Eligible Investments including credit risk with respect to any Investment Agreement that secure the Issuer's obligations with respect to such Synthetic Security.

**Reliance on Creditworthiness of Investment Agreements.** The amounts on deposit in the Synthetic Security Collateral Account are expected to be invested in Eligible Investments consisting initially of the Initial Investment Agreement and, accordingly, the Issuer will be exposed to the creditworthiness of the Initial Investment Agreement Provider. The insolvency of the Initial Investment Agreement Provider or a default by such parties under the Initial Investment Agreement, respectively, would adversely affect the ability of the Issuer to pay principal and interest when due under the Notes and could result in a downgrade of the ratings on the Notes.

If an Investment Agreement is terminated as a result of an event of default or an uncured ratings downgrade condition as specified therein, the Issuer may enter into one or more replacement investment agreements (each a "Replacement Investment Agreement"), and accordingly, the Issuer will be exposed to the creditworthiness of the related Replacement Investment Agreement provider (each a "Replacement Investment Agreement Provider"). See "Description of the Initial Investment Agreement—The Initial Investment Agreement".

**Credit Ratings.** Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value and, therefore, credit ratings may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating
indicates. Consequently, credit ratings of the Asset-Backed Securities and Reference Obligations will be used by the Collateral Manager only as a preliminary indicator of investment quality. Investments in non-investment grade and comparable unrated obligations will be more dependent on the Collateral Manager's credit analysis than would be the case with investments in investment-grade debt obligations.

**International Investing.** A limited portion of the Underlying Assets may consist of obligations of issuers organized under the law of the Bahamas, Bermuda, the Cayman Islands, the Channel Islands or the Netherlands Antilles. Moreover, collateral securing Asset-Backed Securities may consist of obligations of issuers or borrowers organized under the laws of various jurisdictions other than the United States. Investing outside the United States may involve greater risks than investing in the United States. These risks may include: (a) less publicly available information; (b) varying levels of governmental regulation and supervision; and (c) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, foreign companies are not subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

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

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

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

**Other Considerations**

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

**Conflicts of Interest Involving the Collateral Manager.** Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager and its Affiliates. The Collateral Manager and its Affiliates may invest or invest for the account of others in debt obligations that would be appropriate as security for the Notes and have no duty in making such investments or to act in a way that is favorable to the Issuer, the Noteholders or the Preference Shareholders. Such investments may be different from those made on behalf of the Issuer. The Collateral Manager and its Affiliates may have economic interests in, or other relationships with, issuers in whose obligations or securities the Issuer may invest. In particular, a substantial portion of the Underlying Assets acquired by the Issuer from the Initial Purchasers were sold to the Initial Purchasers from portfolios of securities held by one or more of the Collateral Manager and its Affiliates. In addition, the Collateral Manager or its Affiliates may make and/or hold an investment in an issuer's securities that may be
The First Synthetic Security

Counterparty is an Affiliate of the Initial Purchasers. Each Synthetic Security Counterparty may take actions under the Notes or may resign as Auction Agent and bid on any Underlying Assets that are sold pursuant to an Auction Call Redemption.

One or more Affiliates of the Collateral Manager will acquire all of the Class E Notes and the Preference Shares on the Closing Date. Pursuant to the Management Agreement, the Collateral Manager, in its capacity as holder of, or an advisor to the holder of Class E Notes and Preference Shares may, in such capacity, act in a manner which it determines to be in the best interests of a holder of Class E Notes and/or Preference Shares, without regard to the effect on the interests of other Noteholders. In addition, the Collateral Manager and its Affiliates may at times own any other Class of Notes. A portion of the purchase price of Notes and the Preference Shares to be acquired by the Collateral Manager or its Affiliates may be financed by the Initial Purchasers. At any given time, the Collateral Manager and its Affiliates will not be entitled to vote the Notes or Preference Shares beneficially owned by the Collateral Manager or any Affiliate thereof or by an account or fund for which the Collateral Manager or an Affiliate thereof acts as the investment adviser (with discretionary authority) ("Collateral Manager Securities") with respect to any vote or consent on any assignment or termination of the Management Agreement (including the exercise of any rights to remove the Collateral Manager or terminate the Management Agreement) or any amendment or other modification of the Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager. However, at any given time the Collateral Manager and its Affiliates will be entitled to vote the Notes and Preference Shares held by them with respect to all other matters. For purposes hereof, "Affiliate" means, with respect to the Collateral Manager, (a) any other person who, directly or indirectly, is in control of, or controlled by, or is under common control with, the Collateral Manager, (b) any other person who is a director, officer, employee, managing member or general partner of (i) the Collateral Manager or (ii) any such other person described in clause (a) above, or (c) any account or fund for which the Collateral Manager or any of the foregoing acts as investment advisor with discretionary authority. For the purposes of the foregoing definition, control of a person shall mean the power, direct or indirect, (x) to vote more than 50% of the securities having ordinary voting power for the election of directors of such person or (y) to direct or cause the direction of the management and policies of such person whether by contract or otherwise. The ownership of all of the Class E Notes and the Preference Shares by one or more Affiliates of the Collateral Manager may give the Collateral Manager an incentive to take actions that vary from the interests of the holders of the Notes.

Conflicts of Interest Involving the Initial Purchasers. Certain of the Underlying Assets acquired by the Issuer may consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which the Initial Purchasers or an affiliate of the Initial Purchasers has acted as underwriter, agent, placement agent or dealer or for which an affiliate of the Initial Purchasers has acted as lender or provided other commercial or investment banking services. The Initial Purchasers of one or more of their Affiliates will also act as counterparty with respect to most of the initial Synthetic Securities. In addition, if not the Auction Agent, the Initial Purchasers may bid on the Underlying Assets at any time the Issuer disposes of an Underlying Asset.

Conflicts of Interest involving the Synthetic Security Counterparties. The First Synthetic Security Counterparty is an Affiliate of the Initial Purchasers. Each Synthetic Security Counterparty may take actions under...
the related Synthetic Securities or otherwise that may be inconsistent with or adverse to the interests of the Noteholders. Synthetic Security Counterparties will not be obligated to take any action to minimize losses with respect to any Reference Obligation. In addition, the Synthetic Security Counterparty has the right in the event of an assignment of a Synthetic Security to reject any replacement for the Issuer, such right not to be unreasonably exercised. In deciding whether to approve or reject a replacement for the Issuer, the Synthetic Security Counterparty does not have to consider the interests of the Issuer or the Noteholders. See "Security for the Notes—Underlying Assets—Synthetic Securities—Assignment".

Each Synthetic Security Counterparty and its affiliates may deal in any obligations or other securities of any Reference Obligor (including, but not limited to, any Reference Obligations), may enter into other credit derivatives involving entities that may include the Reference Obligors or their affiliates or sponsors (including credit derivatives to hedge its obligations under the Synthetic Securities), 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 Obligor, any affiliate or sponsor of any Reference Obligor or any other person or other entity having obligations relating to any Reference Obligor or affiliate or sponsor of such Reference Obligor, and may act with respect to such business in the same manner as if the related Synthetic Securities did not exist, regardless of whether any such relationship or action might have an adverse effect on any Reference Obligations (including, without limitation, any action which might constitute or give rise to a Credit Event), or on the position of the Issuer, the Noteholders or any other party to the transaction described herein or otherwise. Each Synthetic Security Counterparty and its affiliates may, whether by reason of the types of relationships described herein or otherwise, on the date hereof or at any time hereafter, be in possession of information in relation to an any Reference Obligation, Reference Obligor or any of such Reference Obligor's sponsors or affiliates, that is or may be material in the context of the related Synthetic Securities and the other transaction documents and that may or may not be publicly available or known to the other parties to the transaction documents and which information each Synthetic Security Counterparty or such affiliates may be prohibited from using for the benefit of the Issuer. The Synthetic Securities and the other transaction documents do not create any obligation on the part of the related Synthetic Security Counterparty and its affiliates to disclose to any other such party any such information (whether or not confidential). In addition, with respect to the deletion or addition of Reference Obligations in connection with any trading activity undertaken by the Collateral Manager on behalf of the Issuer, the related Synthetic Security Counterparty is not obligated to agree to any such deletion or addition of a Reference Obligation and may make its decision whether to agree to any such deletion or addition on the basis of its own best interests and without regard to the interests of the Issuer or the Noteholders.

Money Laundering Prevention. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), effective as of October 26, 2001, requires that financial institutions, a term that includes banks, broker-dealers and investment companies, establish and maintain compliance programs to guard against money laundering activities. The USA PATRIOT Act requires the Secretary of the U.S. Treasury ("Treasury") to prescribe regulations in connection with anti-money laundering policies of financial institutions. The Federal Reserve Board, the Treasury and the SEC are currently studying what types of investment vehicles should be required to adopt anti-money laundering procedures, and it is unclear at this time whether such procedures will apply to pooled investment vehicles such as the Issuer. It is possible that there could be promulgated legislation or regulations that would require the Issuer or the Initial Purchasers or other service providers to the Issuer, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the Notes. Such legislation and/or regulations could require the Issuer to implement additional restrictions on the transfer of the Notes or interests therein. The Issuer reserves the right to request such information as is necessary to verify the identity of investors in the Notes and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by Financial Crimes Enforcement Network and/or the SEC. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of Notes or interests therein and the subscription monies relating thereto may be refused. In connection with the establishment of anti-money laundering procedures, the Issuer may implement additional restrictions on the transfer of Notes.

Purchase of Underlying Assets. The Issuer will acquire Underlying Assets from a warehouse facility (the "Warehouse Facility") provided by Lehman, which provides for the purchase of Asset-Backed Securities at the direction of the Collateral Manager on behalf of the Issuer prior to the Closing Date. In addition, a substantial
portion of the Underlying Assets purchased by the Issuer from Lehman are securities that were sold to Lehman from portfolios of Asset-Backed Securities held, directly or indirectly, by the Collateral Manager or one or more Affiliates of, or investment funds managed by, the Collateral Manager.

Some of the Underlying Assets subject to the Warehouse Facility may have been originally acquired by Lehman in connection with its underwriting or placement thereof upon issuance thereof or from the Collateral Manager or one of its Affiliates. The Warehouse Facility requires the Issuer to purchase Asset-Backed Securities eligible for inclusion in the Collateral on the Closing Date at a price equal to the price paid when Lehman acquired such Asset-Backed Securities pursuant to the Warehouse Facility, plus accrued interest thereon, and net of any hedging gains or losses. As a result, the Issuer bears the risk of depreciation in the value of an Asset-Backed Security purchased from Lehman under the Warehouse Facility. The Issuer will purchase, and Lehman under the Warehouse Facility will sell, Asset-Backed Securities only to the extent that the Collateral Manager determines that such purchases are consistent with the restrictions contained in the Indenture.

If any such seller were to become the subject of a case or proceeding under the United States Bankruptcy Code or another applicable insolvency law, the trustee in bankruptcy could assert that Asset-Backed Securities acquired from such seller are property of such seller’s insolvency estate. Property that such seller has pledged or assigned, or in which such seller has granted a security interest, as collateral security for the payment or performance of an obligation, would be property of such seller’s estate. Property that such seller has sold or absolutely assigned and transferred to another party, however, is not property of such seller’s estate. The Issuer does not expect that the purchase by the Issuer of Asset-Backed Securities, under the circumstances contemplated by this Offering Circular, will be deemed to be a pledge or collateral assignment (as opposed to the sale or other absolute transfer of such Asset-Backed Securities to the Issuer).

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

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

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, market, financial or legal uncertainties, differences in the actual allocation of the Underlying Assets among asset categories from those identified on Schedule A, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Underlying Assets, defaults under Underlying Assets and the effectiveness of the Interest Rate Swap Agreement, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Collateral Manager, the Trustee, the Initial Purchasers or any of their respective affiliates or any other person or entity of the results that will actually be achieved by the Issuer. None of the Issuer, the Co-Issuer, the Collateral Manager, the Trustee, the Initial Purchasers, any of their respective affiliates or any other person has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.
DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to the Indenture. The following summary describes certain provisions of the Notes and the Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. Copies of the Indenture may be obtained by prospective investors upon request to the Trustee at 1761 East St. Andrew Place, Santa Ana, California 92705, or to RSM Robson Rhodes LLP (the "Irish Paying Agent"), at RSM House, Herbert Street, Dublin 2, Ireland.

Status and Security

The Notes will be limited-recourse debt obligations of the Issuers. The relative order of seniority of payment of each Class of Notes is as follows: first, Class A-1 Notes, second, Class A-2 Notes, third, Class B Notes, fourth, Class C Notes, fifth, Class D Notes and sixth, Class E Notes, with (a) each Class of Notes (other than the Class E Notes) in such list being "Senior" to each other Class of Notes that follows such Class of Notes in such list and (b) each Class of Notes (other than the Class A-1 Notes) in such list being "Subordinate" to each other Class of Notes that precedes such Class of Notes in such list. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remains outstanding has been paid in full in accordance with the Priority of Payments; provided that the interest on the Class A-1 Notes and the Class A-2 Notes will be paid pro rata. Principal Proceeds will be applied on each Distribution Date in accordance with the Priority of Payments to pay principal of each Class of Notes.

Under the terms of the Indenture, the Issuer will grant to the Trustee for the benefit of the Secured Parties a first priority security interest in the Collateral described herein to secure the Issuer's obligations under the Indenture, the Notes, the Interest Rate Swap Agreement, the Synthetic Security Agreement, the Investment Agreement and the Management Agreement.

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

Interest

The Class A-1 Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.23%. The Class A-2 Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.40%. The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.50%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.30%. The Class D Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.15%. The Class E Notes will bear interest at a floating rate per annum equal to LIBOR plus 6.00%.

Interest on the Notes will be computed on the basis of a 360-day year and the actual number of days elapsed. Interest will accrue on the aggregate outstanding principal amount of each Class of Notes (determined as of the first day of each Interest Period and after giving effect to any redemption or other payment of principal occurring on such day) from the Closing Date. Interest accruing for any Interest Period will accrue for the period from and including the first day of such Interest Period to and including the last day of such Interest Period.

Accrued and unpaid interest will be payable in U.S. Dollars quarterly in arrears on the 17th day of each February, May, August and November commencing on November 17, 2006 (each such date, together with the Accelerated Maturity Date, a "Distribution Date"); provided that (i) the final scheduled Distribution Date shall be, with respect to each Class of Notes, the August 2046 Distribution Date, and (ii) if any such date is not a Business Day, the relevant Distribution Date will be the next succeeding Business Day.

In the event that any Distribution Date falls on a date that is not a Business Day, then payment will be made on the next succeeding Business Day with the same force and effect as if made on the nominal Distribution Date,
and any interest accrued for the period from or after such nominal date to the next succeeding Business Day shall not be payable on such Business Day but shall be payable on the next following Distribution Date.

As long as the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes are outstanding, if either Coverage Test applicable to such Class of Notes is not satisfied on any Determination Date, then Interest Proceeds that would otherwise be used to make payments in respect of interest on any Class of Notes Subordinate to such Class will be used instead to redeem, first, each Class (if any) of Notes Senior to such Class of Notes (sequentially in direct order of seniority) and, second, such Class of Notes, until each applicable Coverage Test is satisfied. See "—Priority of Payments."

Any interest on the Class C Notes, the Class D Notes and the Class E Notes that is not paid to such Class when due will be deferred (such interest being referred to herein as "Deferred Interest"); Deferred Interest in the case of the Class C Notes being referred to herein as "Class C Deferred Interest", Deferred Interest in the case of the Class D Notes being referred to herein as "Class D Deferred Interest" and Deferred Interest in the case of the Class E Notes being referred to herein as "Class E Deferred Interest"); provided that no accrued interest on a Class of Notes shall become Deferred Interest unless a more Senior Class of Notes is then outstanding. Interest will accrue on the aggregate outstanding deferred amount at the rates of interest applicable to that Class of Notes. Upon the payment of Deferred Interest, the aggregate outstanding deferred amount with respect to the related Class of Notes will be reduced by the amount of such payment. So long as any more Senior Class of Notes remains outstanding, failure to make payment in respect of interest on the Class C Notes, the Class D Notes or the Class E Notes on any Distribution Date by reason of Priority of Payments will not constitute an Event of Default under the Indenture.

Interest will cease to accrue on each Note or, in the case of a partial repayment, on such part, from the date of repayment or Stated Maturity unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments. To the extent lawful and enforceable, interest on any Defaulted Interest on any Note will accrue at the interest rate applicable to such Note until paid. "Defaulted Interest" means any interest due and payable in respect of any Class A Note or any Class B Note or, if no Class A Notes or Class B Notes are outstanding, any Class C Note (other than Class C Deferred Interest), if no Class C Notes are outstanding, any Class D Notes (other than Class D Deferred Interest) or, if no Class D Notes are outstanding, any Class E Note (other than Class E Deferred Interest) that is not punctually paid or duly provided for on the applicable Distribution Date or at Stated Maturity. Defaulted Interest will not include Deferred Interest.

"Interest Period" means (a) with respect to the November 2006 Distribution Date (the "First Distribution Date") the period from, and including, the Closing Date to and excluding the First Distribution Date, and (b) with respect to each Distribution Date thereafter, the period from, and including, the immediately preceding Distribution Date and ending on, but excluding, such Distribution Date.

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

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

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

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

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

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

As used in the calculation of LIBOR above and elsewhere in this Offering Circular:

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

"Base Rate Reference Bank" means Deutsche Bank Trust Company Americas, or if such bank ceases to exist or is not quoting a base rate, prime rate reference rate or similar rate for Dollar loans, such other major money center commercial bank in New York City, as selected by the Calculation Agent after consultation with the Collateral Manager.
"Designated Maturity" means, with respect to any Class of Notes for each Interest Period, three months.

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

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

"Reference Banks" means four major banks in the London interbank market, selected by the Calculation Agent after consultation with the Collateral Manager.

"Reference Dealers" means three major dealers in the secondary market for U.S. Dollar certificates of deposit, selected by the Calculation Agent after consultation with the Collateral Manager.

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

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

Principal

The Stated Maturity of each Class of Notes is the August 2046 Distribution Date. Each Class of Notes will mature at the Stated Maturity unless redeemed or repaid prior to the Stated Maturity. However, the Notes may be paid in full prior to their Stated Maturity. With respect to each Class of Notes, the earlier of the Stated Maturity and the Distribution Date on which the aggregate principal amount of such Class of Notes is paid in full, including a Redemption Date or an Accelerated Maturity Date, is referred to herein as the "Final Maturity Date". See "Risk Factors—Average Life of the Notes and Prepayment Considerations" and "Maturity and Prepayment Considerations." Any payment of principal with respect to any Class of Notes (including any payment of principal made in connection with the Final Maturity Date) will be made by the Trustee on a pro rata basis on each Distribution Date among the Notes of such Class according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment.

Principal Proceeds will be applied on each Distribution Date in accordance with the Priority of Payments to pay principal of each Class of Notes. No payment of principal of any Class of Notes will be made until all principal of, and all accrued interest due and payable on, the Notes of each Class that is Senior to such Class have been paid in full.

However:

(a) on each Distribution Date occurring on or before the last day of the Priority Distribution Period, Interest Proceeds will be applied, in an amount available for such purpose, if any, on the relevant Distribution Date, to pay principal of the Class D Notes in an amount up to the Class D Priority
Redemption Amount for such Distribution Date as set forth in Schedule G to this Offering Circular until 10% of the aggregate principal amount of the Class D Notes as of the Closing Date is redeemed; and on any Distribution Date occurring after August 2009, 15% of the Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the holders of the Preference Shares will be applied to pay principal of the Class D Notes until the Class D Notes are paid in full; and

(b) if no Optional Redemption, Auction Call Redemption, Clean-Up Call Redemption or Tax Redemption has been successfully completed before the Accelerated Amortization Date, on any Distribution Date occurring on or after the Accelerated Amortization Date, Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied to pay, first, the principal of the Class D Notes, second, the principal of the Class C Notes, third, the principal of the Class B Notes, fourth, the principal of the Class A-2 Notes and fifth, the principal of the Class A-1 Notes, in each case until such Class has been paid in full. See "Description of the Notes—Priority of Payments."

Payments

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

If any payment on the Notes is due on a day that is not a Business Day, then payment will be made on the next succeeding Business Day with the same force and effect as if made on the date for payment. "Business Day" means any day other than Saturday, Sunday or a day on which banking institutions are authorized or obligated by law, regulation or executive order to close in New York City, London or the city of the designated corporate trust office of the Trustee or, in the case of the final payment of principal of a Note or distribution of Excess Principal Proceeds with respect to a Preference Share, in the place of presentation of such Note or Preference Share. To the extent action is required of the Issuer that has not been delegated to the Trustee, the Collateral Manager or any agent of the Issuer located outside of the Cayman Islands, the Cayman Islands shall be considered in determining "Business Day" for purposes of determining when such Issuer action is required. To the extent action is required of the Irish Paying Agent, Ireland shall be considered in determining "Business Day" for purposes of determining when such Irish Paying Agent action is required.

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

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

With respect to any Distribution Date, collections received on the Collateral during each Due Period in respect of the Collateral will be divided into Interest Proceeds and Principal Proceeds and applied in the priority set forth below under "—Interest Proceeds" and "—Principal Proceeds," respectively (collectively, the "Priority of Payments"). "Due Period" means, with respect to any Distribution Date, the period commencing immediately following the fifth Business Day prior to the preceding Distribution Date (or on the Closing Date, in the case of the Due Period relating to the First Distribution Date) and ending on the fifth Business Day prior to such Distribution Date (or, in the case of the Due Period that is applicable to the Distribution Date relating to the Stated Maturity of the Notes, such Due Period shall end on the day preceding the Stated Maturity).

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

1. to the payment of taxes, government fees and registered office fees owed by the Issuers, if any;
2. up to a maximum amount on any Distribution Date equal to the Fee Cap Amount plus an amount up to U.S.$150,000 per annum, (a) first, in the following order of priority, to the payment to the Trustee, the Preference Share Paying Agent, the Collateral Administrator and the Administrator of accrued and unpaid fees owing to them under the Indenture; (b) second, to the payment of other accrued and unpaid administrative expenses (including indemnities) incurred by or on behalf of the Issuers (including any administrative expenses payable to the Collateral Manager, but excluding the Management Fee and the Auction Agent Fee, if applicable), provided that administrative expenses payable to Deutsche Bank Trust Company Americas (in all of its capacities) shall be paid prior to administrative expenses payable to any other party under this clause (2), administrative expenses payable to the Administrator shall be paid prior to administrative expenses payable to any party other than Deutsche Bank Trust Company Americas under this clause (2), and that administrative expenses payable to parties other than the Trustee and Administrator shall be paid pro rata; and (c) third, prior to the date on which amounts on deposit in the Expense Account are transferred to the Payment Account (in connection with the sale or disposition of substantially all of the Issuer's assets) for application as Interest Proceeds, for deposit in the Expense Account an amount equal to the lesser of (x) an amount sufficient to cause the balance of all Eligible Investments and cash in the Expense Account, immediately after such deposit, to equal U.S.$150,000, and (y) the amount by which the Fee Cap Amount exceeds the sums paid under clauses (a) and (b);
3. to the payment, pro rata, of any amount scheduled to be paid to the Interest Rate Swap Counterparty pursuant to the Interest Rate Swap Agreement, together with any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to the Interest Rate Swap Agreement and the Synthetic Securities other than amounts payable by reason of an event of default or termination event as to which the Interest Rate Swap Counterparty under such Interest Rate Swap Agreement or the Synthetic Security Counterparty under the Synthetic Securities, as applicable, is the "defaulting party" or the sole "affected party;"
4. to the payment to the Collateral Manager of the accrued and unpaid Management Fee;
5. to the payment, pro rata, of accrued and unpaid interest on the Class A-1 Notes (including Defaulted Interest and any interest thereon) and accrued and unpaid interest on the Class A-2 Notes (including Defaulted Interest and any interest thereon);
6. to the payment of accrued and unpaid interest on the Class B Notes (including Defaulted Interest and any interest thereon);
7. if either Class A/B Coverage Test is not satisfied on the related Determination Date and if any Class A Note or Class B Note remains outstanding, to the payment of principal of, first, the Class
A-1 Notes, second, the Class A-2 Notes and third, the Class B Notes, to the extent necessary to cause each Class A/B Coverage Test to be satisfied;

(8) to the payment of accrued and unpaid interest on the Class C Notes (including Defaulted Interest and any interest thereon and interest on Class C Deferred Interest, if any, but excluding any Class C Deferred Interest);

(9) to the payment of Class C Deferred Interest, if any;

(10) if either Class C Coverage Test is not satisfied on the related Determination Date and if any Class A Note, Class B Note or Class C Note remains outstanding, to the payment of principal of, first, the Class A-1 Notes, second, the Class A-2 Notes, third, the Class B Notes and fourth, the Class C Notes, to the extent necessary to cause each of the Class C Coverage Tests to be satisfied;

(11) to the payment of accrued and unpaid interest on the Class D Notes (including Defaulted Interest and any interest thereon and interest on Class D Deferred Interest, if any, but excluding any Class D Deferred Interest);

(12) to the payment of Class D Deferred Interest, if any;

(13) if either Class D Coverage Test is not satisfied on the related Determination Date and if any Class A Note, Class B Note, Class C Note or Class D Note remains outstanding, to the payment of principal of, first, the Class A-1 Notes, second, the Class A-2 Notes, third, the Class B Notes, fourth, the Class C Notes and fifth, the Class D Notes, to the extent necessary to cause each of the Class D Coverage Tests to be satisfied;

(14) to the payment of accrued and unpaid interest on the Class E Notes (including Defaulted Interest and interest thereon and interest on Class E Deferred Interest, if any, but excluding any Class E Deferred Interest);

(15) to the payment of Class E Deferred Interest, if any;

(16) (i) on any Distribution Date occurring on or before the last day of the Priority Distribution Period, to the payment of principal of the Class D Notes in an amount up to the Class D Priority Redemption Amount for such Distribution Date as set forth in Schedule G to this Offering Circular until 10% of the aggregate principal amount of the Class D Notes as of the Closing Date is redeemed; and (ii) on any Distribution Date occurring after the August 2009 Distribution Date to the payment of principal of the Class D Notes until the Class D Notes are paid in full in an amount equal to 15% of the Interest Proceeds that would otherwise be paid on such Distribution Date under clause (20) below but for the application of this clause (16);

(17) to the payment, pro rata, of any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to the Interest Rate Swap Agreement and the Synthetic Securities by reason of an event of default or termination event as to which the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement or the Synthetic Security Counterparty under the Synthetic Securities, as applicable, is the "defaulting party" or the sole "affected party";

(18) to the payment of all other accrued and unpaid administrative expenses of the Issuers (including any accrued and unpaid fees and expenses owing to the Trustee, the Note Registrar, the Preference Share Paying Agent, the Collateral Manager (other than the Management Fee), the Auction Agent, the Share Registrar and the Administrator under the Indenture, the Management Agreement, the Preference Share Paying Agency Agreement and the Administration Agreement) not paid in full pursuant to and in the order stated in clause (2) above (whether as the result of the limitations on amounts set forth therein or otherwise);
(19) if no Optional Redemption, Auction Call Redemption, Clean-Up Call Redemption or Tax Redemption has been successfully completed before the Accelerated Amortization Date, on any Distribution Date occurring on or after the Accelerated Amortization Date, first, to the payment of principal of the Class D Notes until the Class D Notes have been paid in full, second, to the payment of principal of the Class C Notes until the Class C Notes have been paid in full, third, to the payment of principal of the Class B Notes until the Class B Notes have been paid in full, fourth, to the payment of principal of the Class A-2 Notes until the Class A-2 Notes have been paid in full; and fifth, to the payment of principal of the Class A-1 Notes until the Class A-1 Notes have been paid in full; and

(20) the remainder ("Excess Interest"), to be released from the lien of the Indenture and paid (upon standing order of the Issuer) to the Preference Share Paying Agent for deposit into the Preference Share Payment Account for payment to the holders of the Preference Shares as a distribution by way of dividend thereon.

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

1. to the payment of the amounts referred to in clauses (1) through (6) under "—Interest Proceeds" in the same order of priority specified therein, but only to the extent not paid in full thereunder;

2. so long as each of the Overcollateralization Tests is in compliance (after application of payments under all clauses under "— Interest Proceeds" and clause (1) above) and remains in compliance (after giving effect to the payments in this clause (2)), to the payment of accrued and unpaid interest on the Class C Notes, but only to the extent not paid in full in clause (8) under "—Interest Proceeds";

3. so long as each of the Overcollateralization Tests is in compliance (after application of payments under all clauses under "— Interest Proceeds" and clauses (1) and (2) above) and remains in compliance (after giving effect to the payments in this clause (3)), to the payment of accrued and unpaid interest on the Class D Notes, but only to the extent not paid in full in clause (11) under "—Interest Proceeds";

4. to the payment of principal of the Class A-1 Notes until the Class A-1 Notes have been paid in full;

5. to the payment of principal of the Class A-2 Notes until the Class A-2 Notes have been paid in full;

6. to the payment of principal of the Class B Notes, until the Class B Notes have been paid in full;

7. to the payment of amounts referred to in clause (8) and then clause (9) under "—Interest Proceeds," but only to the extent not paid in full thereunder or under clause (2) above;

8. to the payment of principal of the Class C Notes until the Class C Notes have been paid in full;

9. to the payment of amounts referred to in clauses (11) and (12) under "—Interest Proceeds," but only to the extent not paid in full thereunder or under clause (3) above;

10. to the payment of principal of the Class D Notes until the Class D Notes have been paid in full;

11. to the payment of amounts referred to in clauses (14) and (15) under "—Interest Proceeds," but only to the extent not paid in full thereunder;

12. to the payment of principal of the Class E Notes until the Class E Notes have been paid in full;
will be entitled to retain for its own account the 250 shares of common stock it holds in the Co-Issuer, the US$250
distribution by way of redemption, whereupon all of the Notes and Preference Shares will be cancelled. The Issuer
the restrictions on distributions under the laws of the Cayman Islands) payment to the Preference Shareholders as a
be paid to the Preference Share Paying Agent for deposit into the Preference Share Payment Account for payment to the Preference Shareholders as a dividend on the Preference Shares or (on any date upon which the Preference Shares are redeemed) as payment by way of redemption of the Preference Shares as provided in the Issuer Charter.

Notwithstanding any of the foregoing provisions, on the Final Maturity Date, the Interest Proceeds, the Principal Proceeds and any funds in the Expense Account will be distributed in the following order of priority: (i) to make payments of the amounts referred to in clauses (1) through (4) under "—Interest Proceeds" in the same order of priority specified therein; (ii) to make payments on the Notes in the following order: first, to the payment, pro rata, of the accrued and unpaid interest (including any Defaulted Interest and any interest thereon) on the Class A-1 Notes and the Class A-2 Notes, second, to the payment of the aggregate principal amount of the Class A-1 Notes and then to the payment of the aggregate principal amount of the Class A-2 Notes, third, to the payment of the accrued and unpaid interest (including Defaulted Interest and any interest thereon) on the Class B Notes and then to the payment of the aggregate principal amount of the Class B Notes, fourth, to the payment of the accrued and unpaid interest (including any Class C Deferred Interest and any interest thereon, and any Defaulted Interest and any interest thereon) on the Class C Notes and then to the payment of the aggregate principal amount of the Class C Notes, fifth, to the payment of the accrued and unpaid interest (including any Class D Deferred Interest and any interest thereon, and any Defaulted Interest and any interest thereon) on the Class D Notes and then to the payment of the aggregate principal amount of the Class D Notes, sixth, to the payment of the accrued and unpaid interest (including any Class E Deferred Interest and any interest thereon, and any Defaulted Interest and any interest thereon) on the Class E Notes and then to the payment of the aggregate principal amount of the Class E Notes, until each class is paid in full; (iii) to make payments of the amounts referred to in clauses (17) and (18) under "—Interest Proceeds" in the same order of priority specified therein and (iv) the remainder to make dividend or redemption payments, as applicable, to the Preference Shareholders.

In the event that Excess Interest or Excess Principal Proceeds cannot be distributed to the Preference Shareholders due to restrictions on such distributions under the laws of the Cayman Islands, the Issuer will notify the Preference Share Paying Agent and all such amounts will be held in the Preference Share Payment Account until the First Distribution Date or (in the case of any payment otherwise due on a redemption date of the Preference Shares) the first Business Day on which the Issuer notifies the Preference Share Paying Agent that such distribution can be made to the Preference Shareholders (subject to the availability of such amounts under Cayman Islands law to pay any liability of the Issuer not limited in recourse to the Collateral).

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

On or prior to the latest Stated Maturity of the Notes, a redemption of the Preference Shares, a Mandatory Redemption, a Tax Redemption, a Clean-Up Call Redemption or an Auction Call Redemption, the Issuer (or the Collateral Manager acting pursuant to the Management Agreement on behalf of the Issuer) will dispose of all of the Underlying Assets and all Eligible Investments and sell or liquidate all other Collateral; and, after the payment (in the order of priorities set forth above) of all (a) fees, (b) expenses (including any amount owing by the Issuer under the Interest Rate Swap Agreement), (c) interest (including any Defaulted Interest and interest on Defaulted Interest and any Deferred Interest and interest on Deferred Interest) on and principal of the Notes and (d) Excess Interest in respect of the Preference Shares, all remaining proceeds from such sales and liquidations and all available cash will be paid to the Preference Share Paying Agent for deposit into the Preference Share Payment Account for (subject to the restrictions on distributions under the laws of the Cayman Islands) payment to the Preference Shareholders as a distribution by way of redemption, whereupon all of the Notes and Preference Shares will be cancelled. The Issuer will be entitled to retain for its own account the 250 shares of common stock it holds in the Co-Issuer, the US$250
representing its share capital and U.S.$250 representing a profit fee to the Issuer, together with any interest accrued thereon.

"Accelerated Amortization Date" means, if no Optional Redemption, Auction Call Redemption, Clean-Up Call Redemption or Tax Redemption has been successfully completed before the August 2014 Distribution Date, the August 2014 Distribution Date.

"Aggregate Principal/Notional Balance" means, (i) when used with respect to one or more Underlying Assets, the sum of the Principal/Notional Balances of such Underlying Assets on the date of determination, and (ii) with respect to Eligible Investments, the aggregate Balance of such Eligible Investments.

"Applicable Recovery Rate" means, with respect to any Underlying Asset (which shall mean with respect to a Synthetic Security, the related Reference Obligation) on any Measurement Date, an amount equal to the lower of (a) the percentage for such Underlying Asset set forth in the Moody's Recovery Rate Matrix attached as Schedule E hereto in (i) the applicable table therein, (ii) the row in such table opposite the applicable percentage of the underlying capital structure and (iii) the column in such table below the rating assigned by Moody's of such Underlying Asset as of the date of issuance of such Underlying Asset, or (b) the percentage for such Underlying Asset set forth in the Standard & Poor's Recovery Matrix attached as Schedule E hereto in (i) the applicable table, (ii) the row in such table opposite the Standard & Poor's Rating of such Underlying Asset as of the date of issuance of such Underlying Asset and (iii)(x) for purposes of determining the Standard & Poor's Recovery Rate, the column in such table below the current rating of the respective Class of Notes or (y) for purposes of determining the Calculation Amount, the column in such table below the current rating of the most senior Class of Notes outstanding.

"Bankruptcy Event" means with respect to any entity: (a) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) winding up, liquidation, reorganization or other relief in respect of such entity or its debts, or of a substantial part of its assets, under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect and, in any such case, such proceeding or petition shall continue undischarged for 60 days; or an order or decree approving or ordering any of the foregoing shall be entered; or (b) such entity shall (i) voluntarily commence any proceeding or file any petition seeking winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (a) of this definition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for such entity or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, or (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing.

"Calculation Amount" means, with respect to any Defaulted Security at any time, the lesser of (a) the fair market value of such Defaulted Security as determined by the Collateral Manager and (b) the amount obtained by multiplying the Applicable Recovery Rate by the Principal/Notional Balance of such Defaulted Security.

"Defaulted Security" means any Underlying Asset (which shall mean with respect to a Synthetic Security, the related Reference Obligation) or any other security included in the Collateral:

(a) as to which (i) the issuer thereof has failed to make a scheduled payment of principal or interest without giving effect to any grace period or waiver, provided that a payment default of up to three (3) Business Days with respect to which the Collateral Manager certifies in writing to the Trustee, in its reasonable judgment, is due to non-credit and non-fraud related reasons shall not cause an Underlying Asset to be classified as a Defaulted Security or (ii) pursuant to its Underlying Instruments, there has occurred any default or event of default which entitles the holders thereof, with notice or passage of time or both, to accelerate the maturity (whether by mandatory prepayment, mandatory redemption or otherwise) of all or a portion of the outstanding principal amount of such security, unless (A) in the case of a default or event of default consisting of a failure of the obligor on such security to make required interest payments, such security has
resumed current payments of interest in cash (provided that no restructuring has been effected) or (B) in the case of any other default or event of default, such default or event of default is no longer continuing;

(b) that ranks pari passu with or subordinate to any other material indebtedness for borrowed money owed by the issuer of such Underlying Asset (for purposes hereof, "Other Indebtedness") if such issuer had defaulted in the payment of principal or interest with respect to such Other Indebtedness; provided that a default of default of up to three (3) Business Days with respect to which the Collateral Manager certifies in writing to the Trustee, in its reasonable judgment, is due to non-credit and non-fraud related reasons shall not cause an Underlying Asset to be classified as a Defaulted Security; provided, further, that in the case of a default or event of default consisting of a failure of the obligor on such security to make required interest payments, such Other Indebtedness has resumed current payments of interest (including all accrued interest) in cash (whether or not any waiver or restructuring has been effected), provided that a security shall be considered a Defaulted Security pursuant to this clause (b) only if either (i) such default or event of default results in the assignment of a rating of "CC" or lower or "D" or "SD" by Standard & Poor's or "Ca" or "C" by Moody's, or (ii) the Collateral Manager, based upon due inquiry in accordance with the practices and procedures followed by investment managers of recognized standing, has obtained knowledge of such default or event of default and any characterization by the Collateral Manager of such security other than as a "Defaulted Security" fails to satisfy the Rating Condition;

(c) as to which a Bankruptcy Event has occurred and is continuing with respect to an entity that is: (i) with respect to securities issued by an issuer directly, the special purpose entity that is the issuer of such securities, or (ii) with respect to securities issued by trusts to which an entity deposits assets, either (A) the special purpose entity that is the depositor to the trust that issues such securities, or (B) the trust that issues such securities;

(d) that is rated (i) "CC" or lower or "D" or "SD" by Standard & Poor's or a rating withdrawn by Standard & Poor's, or (ii) "Ca" or "C" by Moody's;

(e) in respect of any Underlying Asset that is a PIK Bond, of which there has been a failure to pay interest (i) in a cumulative amount equal or exceeding the interest due during one payment period (if such Underlying Asset is rated or privately rated for purposes of the issuance of the Underlying Asset below "Baa3" by Moody's) or (ii) for two consecutive payment periods even if by its terms it provides for the deferral and capitalization of interest thereon, but only until such time as payment of interest on such Underlying Asset has resumed and all deferred interest has been paid in accordance with the terms of the related Underlying Instrument; or

(f) which is a Synthetic Security with respect to which the relevant Synthetic Security Counterparty has defaulted in the performance of its payment obligations under such Synthetic Security.

"Deferred Interest PIK Bond" means a PIK Bond with respect to which payment of interest either in whole or in part has been deferred in an amount equal to (a) if such PIK Bond has a Moody’s Rating of at least "Baa3", the amount of interest payable in respect of the lesser of (x) two payment periods and (y) a period of one year; or (b) if such PIK Bond has a Moody’s Rating of below "Baa3", the amount of interest payable in respect of the lesser of (x) one payment period and (y) a period of six months, but only until such time as payment of interest on such PIK Bond has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the relevant Underlying Instruments.

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

"Discount Underlying Asset" means (i) any Underlying Asset (other than a Defaulted Security or a Deferred Interest PIK Bond) that is a Floating Rate Security and has a Moody's Rating of "Aa3" or higher acquired by the Issuer after the Closing Date for an acquisition price of less than 92% of the Principal/Notional Balance of such Underlying Asset, unless the market value for such Underlying Asset equals or exceeds 95% of the
Principal/Notional Balance of such Underlying Asset (as certified by the Collateral Manager to the Trustee) for 60 consecutive days, (ii) any Underlying Asset (other than a Defaulted Security or a Deferred Interest PIK Bond) that is a Fixed Rate Security and has a Moody's Rating of "Aa3" or higher acquired by the Issuer after the Closing Date for an acquisition price of less than 85% of the Principal/Notional Balance of such Underlying Asset, unless the market value for such Underlying Asset equals or exceeds 90% of the Principal/Notional Balance of such Underlying Asset (as certified by the Collateral Manager to the Trustee) for 60 consecutive days and (iii) any Underlying Asset (other than a Defaulted Security or a Deferred Interest PIK Bond) that has a Moody's Rating below "Aa3" acquired by the Issuer after the Closing Date for an acquisition price of less than 75% of the Principal/Notional Balance of such Underlying Asset; provided that such Underlying Asset shall cease to be a Discount Underlying Asset at such time as the market value of such Underlying Asset equals or exceeds 85% of the Principal/Notional Balance of such Underlying Asset (as certified by the Collateral Manager to the Trustee) for 60 consecutive days; provided that no Underlying Asset purchased prior to the Closing Date shall be a Discount Underlying Asset.

"Excepted Property" means (a) the Preference Share Payment Account and all of the funds and other property from time to time deposited in or credited to the Preference Share Payment Account and the proceeds thereof, (b) the 250 shares of common stock of the Co-Issuer, par value U.S.$1.00 per share, owned by the Issuer, (c) U.S.$250 representing the paid share capital on the ordinary shares of the Issuer, and (d) U.S.$250 representing a profit fee to the Issuer, together with any interest accruing thereon, and the trust account in which such monies are held.

"Fee Cap Amount" means, on any Distribution Date, 0.02% of the Quarterly Asset Amount per annum subject to an annual minimum of $60,000.

"Floating Rate Security" means (i) any Asset-Backed Security that is expressly stated to bear interest based upon a floating rate index and (ii) any Synthetic Security so designated by the Collateral Manager at the time of purchase.

"Fixed Rate Security" means any Asset-Backed Security other than a Floating Rate Security.

"Interest Proceeds" means, with respect to any Due Period:

(1) the sum (without duplication) of (a) all payments of interest and other income on the Underlying Assets and Delivered Obligations (other than Defaulted Securities) received in cash during such Due Period; (b) all payments of interest (including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) on Eligible Investments in the Collection Accounts received in cash by the Issuer during such Due Period and all payments of principal, including repayments, on Eligible Investments purchased with amounts from the Interest Collection Account received by the Issuer during such Due Period; (c) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in cash by the Issuer during such Due Period in connection with such Underlying Assets and Eligible Investments (other than fees and commissions received in respect of Defaulted Securities and Written Down Securities and yield maintenance payments included in Principal Proceeds pursuant to clause (c) and clause (j) of the definition thereof); (d) all payments of interest received in respect of a Defaulted Security in excess of an amount equal to the Principal/Notional Balance of such security at the time it became a Defaulted Security; (e) all payments received pursuant to the Interest Rate Swap Agreement (excluding any payments received by the Issuer by reason of an event of default or termination event) less any deferred premium payments, if any, payable by the Issuer under the Interest Rate Swap Agreement with respect to such Due Period; (f) all accrued interest received in cash by the Issuer in connection with the sale or liquidation of any Underlying Asset other than accrued interest purchased with Principal Proceeds; (g) any amounts received from each Synthetic Security Counterparty relating to each Synthetic Security with respect to such Due Period (including any Fixed Amounts and Interest Shortfall Reimbursement Payment Amounts (as defined in Schedule H in the case of Reference Obligations that are RMBS Securities or Schedule I in the case of Reference Obligations that are CMBS Securities) but excluding, for the avoidance of doubt, any premium relating to the following Due Period), other than Writedown Reimbursement Payment Amounts, Principal Shortfall Reimbursement Payment Amounts (each as defined in Schedule H in the case of Reference Obligations that are RMBS Securities or Schedule I in the case of Reference Obligations that are CMBS Securities), any upfront payment or any termination payment received with respect to early termination of a Synthetic Security (including proceeds from liquidation of any collateral posted by the Synthetic Security Counterparty to secure its obligations...
under the Synthetic Securities; (h) all earnings on Eligible Investments on deposit in the Synthetic Security Collateral Account that are transferred to the Interest Collection Account as described below under "Security for the Notes—The Accounts—Synthetic Security Collateral Account"; (i) all Earnings (as defined in the related Investment Agreement) received by the Issuer and payable under the Investment Agreement on or before the related Distribution Date; and (j) all amounts on deposit in the Expense Account that are transferred to the Payment Account for application as Interest Proceeds as described below under "Security for the Notes—The Accounts—Expense Account"; provided that Interest Proceeds shall in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof or (ii) the Excepted Property; minus (2) any Interest Shortfall Amounts paid by the Issuer to each Synthetic Security Counterparty.

"Majority-in-Interest of Preference Shareholders" means, at any time, Preference Shareholders whose aggregate Voting Percentages at such time exceed 50% of all Preference Shareholders' Voting Percentages at such time.

"Measurement Date" means any of the following: (a) any date after the Closing Date on which an Underlying Asset becomes a Defaulted Security, (b) each Determination Date, (c) the last Business Day of any calendar month (other than the month prior to which there is a Determination Date), and (d) with reasonable notice to the Issuer and the Trustee, any other Business Day that any Rating Agency requests be a "Measurement Date"; provided that, if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the next succeeding day that is a Business Day.

"Net Outstanding Underlying Asset Balance" means, as of any Measurement Date, an amount equal to (a) the sum of (i) the Aggregate Principal/Notional Balance on such Measurement Date of all Underlying Assets, (ii) the Aggregate Principal/Notional Balance of all Principal Proceeds and Uninvested Proceeds held as cash, all Substituted Collateral Proceeds on deposit in the Substituted Collateral Account and Eligible Investments purchased with Principal Proceeds or Uninvested Proceeds, and (iii) for each Defaulted Security, the Calculation Amount with respect to such Defaulted Security minus (b) the Aggregate Principal/Notional Balance on such Measurement Date of all Underlying Assets that are either (i) Defaulted Securities or (ii) Equity Securities; provided that solely for the purpose of calculating the Net Outstanding Underlying Asset Balance in connection with the Class A/B Overcollateralization Ratio, the Class C Overcollateralization Ratio and the Class D Overcollateralization Ratio:

(a) if any Underlying Asset has a Moody's Rating of below "Baa3", and:

(1) if on any date the Aggregate Principal/Notional Balance (determined without regard to this clause (a)) of all Underlying Assets (other than Defaulted Assets and Deferred Interest PIK Bonds) that have a Moody's Rating of "Ba1", "Ba2" or "Ba3" exceeds 38.1% of the Aggregate Principal/Notional Balance as of the Closing Date of all Underlying Assets and Principal Proceeds, then the Aggregate Principal/Notional Balance of the Underlying Assets constituting such excess shall be deemed to equal 90% of the actual Aggregate Principal/Notional Balance of such Underlying Assets (determined without regard to this clause (a));

(2) if on any date the Aggregate Principal/Notional Balance (determined without regard to this clause (a)) of all Underlying Assets (other than Defaulted Assets and Deferred Interest PIK Bonds) that have a Moody's Rating of "B1", "B2" or "B3" exceeds 5.0% of the Aggregate Principal/Notional Balance as of the Closing Date of all Underlying Assets and Principal Proceeds, then the Aggregate Principal/Notional Balance of the Underlying Assets constituting such excess shall be deemed to equal 80% of the actual Aggregate Principal/Notional Balance of such Underlying Assets (determined without regard to this clause (a)); and

(3) if such Underlying Assets (other than Defaulted Assets and Deferred Interest PIK Bonds) have a Moody's Rating of below "B3", then the Aggregate Principal/Notional Balance of such Underlying Assets shall be deemed to equal 50% of the actual Aggregate Principal/Notional Balance of such Underlying Assets (determined without regard to this clause (a)).
Solely for purposes of the calculation of the Class A/B Overcollateralization Ratio, the Class C Overcollateralization Ratio and the Class D Overcollateralization Ratio (and without duplication of any reduction under clauses (a) of the definition of Net Outstanding Underlying Asset Balance), the Principal/Notional Balance of any Discount Underlying Asset shall be the original acquisition price of such Discount Underlying Asset.

"PIK Bond" means any Underlying Asset that pursuant to the terms of the related Underlying Instruments (a) permits the payment of interest thereon (with respect to such payments due on or after the date on which the security is purchased by the Issuer) to be deferred and capitalized as additional principal thereof or (b) issues identical (except principal and term) securities in place of payments of interest in cash.

"Principal/Notional Balance" means as of any date of determination, with respect to any Asset Backed Security, the outstanding principal balance of such Asset Backed Security (excluding any capitalized interest and any negative amortization amounts), and, with respect to each Synthetic Security or a related Reference Obligation, in each case, the Reference Obligation Notional Amount (as defined in the Confirmation) of such Synthetic Security.

"Principal Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (a) all payments of principal on the Underlying Assets and Eligible Investments (excluding any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) received in cash by the Issuer during such Due Period including prepayments or mandatory sinking fund payments, or payments in respect of optional call, prepayment or redemption agreements in accordance with the requirements set forth in the Indenture; (f) any Writedown Reimbursement Amount; (g) any Principal Shortfall Reimbursement Amount; (h) any proceeds from the issuance and sale of the Notes and Preference Shares that are not applied to the acquisition of Underlying Assets; (i) all amounts transferred from the Synthetic Security Collateral Account to the Principal Collection Account as described below under "Security for the Notes—The Accounts—Synthetic Security Collateral Account"; (j) all amounts transferred from the Synthetic Security Collateral Account to the Principal Collection Account as described below under "Security for the Notes—The Accounts—Synthetic Security Collateral Account"; (k) all payments of interest received to the extent that they represent accrued interest purchased with amounts from the Principal Collection Account received in cash by the Issuer during such Due Period; (e) any proceeds to the Issuer resulting from the termination and liquidation of the Interest Rate Swap Agreement, to the extent such proceeds exceed the cost of entering into a replacement Interest Rate Swap Agreement or additional Interest Rate Swap Agreements in accordance with the requirements set forth in the Indenture; (f) any Writedown Reimbursement Amount; (h) upfront payment or any termination payments received with respect to early termination of a Synthetic Security received from the related Synthetic Security Counterparty; (i) all amounts transferred from the Synthetic Security Collateral Account to the Principal Collection Account as described below under "Security for the Notes—The Accounts—Synthetic Security Collateral Account"; (j) all payments received in cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums; (k) all payments of interest received to the extent that they represent accrued interest purchased with Principal Proceeds; (l) all yield maintenance payments received in cash by the Issuer during such Due Period; (m) any proceeds from the issuance and sale of the Notes and Preference Shares that are not applied to the acquisition of Underlying Assets prior to the Determination Date preceding the First Distribution Date, including amounts on deposit in the Uninvested Proceeds Account, and not deposited into the Expense Account on the Closing Date; (n) any proceeds from the liquidation of Underlying Assets received in cash by the Issuer (excluding (1) all accrued interest received in cash by the Issuer and (2) the Substituted Collateral Proceeds); (o) any Substituted Collateral Proceeds on deposit in the Principal Collection Account; (p) any payment of capitalized interest on any Underlying Assets; (q) any payment of accrued interest paid for with principal proceeds; and (r) all other payments received in connection with the Underlying Assets and Eligible Investments that are not included in Interest Proceeds; provided, that in no event shall Principal Proceeds include the Excepted Property.

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

"Rating Condition" means, with respect to any action taken or to be taken or any determination made or to be made under the Indenture, a condition that is satisfied when each Rating Agency has confirmed in writing to the
Issuer, the Trustee and the Collateral Manager prior to such action or determination that such action or
determination will not result in the withdrawal, reduction or other adverse action with respect to any then-current
rating (including any shadow, private or confidential rating) of any Class of Notes.

"Servicer" means, with respect to any issue of Asset-Backed Securities, the entity that, absent any default,
event of default or similar condition (however described), is primarily responsible for managing, servicing,
monitoring and otherwise administering the cash flows from which payments to investors in such Asset-Backed
Securities are made.

"Special-Majority-in-Interest of Preference Shareholders" means, at any time, Preference Shareholders
whose aggregate Voting Percentages at such time exceed 66 2/3% of all Preference Shareholders' Voting
Percentages at such time.

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

"Uninvested Proceeds" means, at any time on or prior to the Determination Date prior to the First
Distribution Date, the net proceeds received by the Issuer on the Closing Date from the initial issuance of the Notes
and Preference Shares and any principal collections on the Underlying Assets received on or prior to the Closing
Date, to the extent such proceeds have not theretofore been invested in Underlying Assets or deposited in the
Expense Account.

"Voting Percentage" of a Preference Shareholder at any time means the ratio (expressed as a percentage)
of such Preference Shareholder's Preference Shares outstanding to the aggregate outstanding Preference Shares of all
Preference Shareholders at such time.

"Written Down Security" means, as of any date of determination, any Underlying Asset that is part of an
issue as to which the aggregate par amount of the entire class and all other securities secured by the same pool of
collateral that rank senior in priority of payment to such class exceeds the aggregate par amount (including reserved
interest or other amounts available for overcollateralization) of all collateral securing such issue (excluding
defaulted collateral).

The Coverage Tests

The Coverage Tests applicable to a Class of Notes will be used primarily to determine whether and to what
extent Interest Proceeds may be used to pay interest on and dividends in respect of Classes of Notes Subordinate to
such Class and the Preference Shares and certain other expenses. The "Coverage Tests" include the Class A/B
Coverage Tests, the Class C Coverage Tests and the Class D Coverage Tests.

In the event that either Class A/B Coverage Test is not satisfied on any Distribution Date, funds that would
otherwise be used to pay interest on the Class C Notes, the Class D Notes and the Class E Notes and dividends on
the Preference Shares and certain other expenses must instead be used to pay principal of, first, the Class A Notes
and second, the Class B Notes, to the extent necessary to cause each Class A/B Coverage Test to be satisfied.

In the event that any Class C Coverage Test is not satisfied on any Distribution Date, funds that would
otherwise be used to pay interest on the Class D Notes and the Class E Notes and dividends on the Preference Shares
and certain other expenses must instead be used to pay principal of, first, the Class A Notes, second, the Class B
Notes and third, the Class C Notes, to the extent necessary to cause each Class C Coverage Test to be satisfied.

In the event that any Class D Coverage Test is not satisfied on any Distribution Date, funds that would
otherwise be used to pay interest on the Class E Notes and dividends on the Preference Shares and certain other
expenses must instead be used to pay principal of, first, the Class A Notes, second, the Class B Notes, third, the
Class C Notes and fourth, the Class D Notes, to the extent necessary to cause each Class D Coverage Test to be satisfied. See "—Priority of Payments."

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

The Overcollateralization Tests

The Class A/B Overcollateralization Test:

The "Class A/B Overcollateralization Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Underlying Asset Balance on such Measurement Date by (b) the aggregate outstanding principal amount of the Class A Notes plus the aggregate outstanding principal amount of the Class B Notes.

The "Class A/B Overcollateralization Test" will be satisfied on the Closing Date or a Measurement Date on which any Class A Note or Class B Note remains outstanding if the Class A/B Overcollateralization Ratio on such Measurement Date is equal to or greater than 110.36%. On the Closing Date, the Class A/B Overcollateralization Ratio will be 118.36%.

The Class C Overcollateralization Test:

The "Class C Overcollateralization Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Underlying Asset Balance on such Measurement Date by (b) the aggregate outstanding principal amount of the Class A Notes plus the aggregate outstanding principal amount of the Class B Notes plus the aggregate outstanding principal amount of the Class C Notes, plus any outstanding Class C Deferred Interest.

The "Class C Overcollateralization Test" will be satisfied on the Closing Date or a Measurement Date on which any Class A Note, Class B Note or Class C Note remains outstanding if the Class C Overcollateralization Ratio on such Measurement Date is equal to or greater than 108.38%. On the Closing Date, the Class C Overcollateralization Ratio will be 113.38%.

The Class D Overcollateralization Test:

The "Class D Overcollateralization Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Underlying Asset Balance on such Measurement Date by (b) the aggregate outstanding principal amount of the Class A Notes plus the aggregate outstanding principal amount of the Class B Notes plus the aggregate outstanding principal amount of the Class C Notes plus the aggregate principal amount of the Class D Notes, plus any outstanding Class C Deferred Interest and plus any outstanding Class D Deferred Interest.

The "Class D Overcollateralization Test" will be satisfied on the Closing Date or a Measurement Date on which any Class A Note, Class B Note, Class C Note or Class D Note remains outstanding if the Class D Overcollateralization Ratio on such Measurement Date is equal to or greater than 104.75%. On the Closing Date, the Class D Overcollateralization Ratio will be 107.25%.

The Interest Coverage Tests

The Interest Coverage Ratio with respect to the Class A Notes and Class B Notes (the "Class A/B Interest Coverage Ratio"), the Class C Notes (the "Class C Interest Coverage Ratio") and the Class D Notes (the "Class D Interest Coverage Ratio") as of any Measurement Date will be calculated by dividing:
(a) The sum of (A) the scheduled interest payments due (regardless of whether the due date for any such interest payment has yet occurred) in the Due Period in which such Measurement Date occurs on (1) the Underlying Assets and (2) any Eligible Investments held in the Collection Accounts (whether such Eligible Investments were purchased with Interest Proceeds or Principal Proceeds), (B) any fees actually received by the Issuer during such Due Period that constitute Interest Proceeds, (C) any earnings on Eligible Investments in the Synthetic Security Collateral Account, constituting Interest Proceeds and received after the end of the related Collection Period and immediately prior to the related Payment Date, and (D) the amount, if any, scheduled to be paid to the Issuer by the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement on the Distribution Date relating to such Due Period, minus (ii) the sum of (A) the amount, if any, scheduled to be paid to the Interest Rate Swap Counterparty by the Issuer under the Interest Rate Swap Agreement on the Distribution Date relating to such Due Period, (B) the amount, if any, scheduled to be paid to the payment of taxes and filing and registration fees owed by the Issuers, and (C) the amount, if any, scheduled to be paid (1) to the payment to the Trustee, the Collateral Administrator, the Auction Agent, the Preference Share Paying Agent, the Note Registrar, the Share Registrar and the Administrator of accrued and unpaid fees and expenses owing to them under the Indenture, the Management Agreement, the Preference Share Paying Agency Agreement, the Collateral Administration Agreement and the Administration Agreement and (2) to the payment of other accrued and unpaid administrative expenses (including indemnities) of the Issuers (excluding the Management Fee and principal and interest on the Notes), to the extent all such payments pursuant to this clause (C) do not exceed for any calendar quarter an amount equal to the Fee Cap Amount plus an amount up to U.S.$150,000 per annum, and (D) the amount, if any, scheduled to be paid to the Collateral Manager of accrued and unpaid Management Fees; by

(b) an amount equal to (i) in the case of the Class A/B Interest Coverage Ratio, the scheduled interest on the Class A Notes and Class B Notes (including Defaulted Interest thereon and accrued interest on such Defaulted Interest, if any) payable on the immediately succeeding Distribution Date, (ii) in the case of the Class C Interest Coverage Ratio, the scheduled interest on the Class A Notes, Class B Notes and Class C Notes (including Defaulted Interest and interest thereon, interest on Class C Deferred Interest, if any, but excluding any Class C Deferred Interest) payable on the immediately succeeding Distribution Date or (iii) in the case of the Class D Interest Coverage Ratio, the scheduled interest on the Class A Notes, Class B Notes, Class C Notes and Class D Notes (including Defaulted Interest and interest thereon, interest on Class C Deferred Interest and interest on Class D Deferred Interest, if any, but excluding any Class C Deferred Interest and Class D Deferred Interest) payable on the immediately succeeding Distribution Date (or, if such Measurement Date coincides with a Distribution Date, on such Distribution Date).

For the purpose of determining compliance with any Interest Coverage Test, there will be excluded all scheduled payments of interest on or principal of Defaulted Securities and any payment, including any amount payable to the Issuer by the Interest Rate Swap Counterparty, that will not be made in cash or received when due, as determined by the Collateral Manager in its reasonable business judgment. For purposes of calculating any Interest Coverage Ratio, (i) the expected interest income on floating rate Underlying Assets and Eligible Investments and under the Interest Rate Swap Agreement and the expected interest payable on the Notes will be calculated using the interest rates applicable thereto on the applicable Measurement Date and (ii) accrued original issue discount on Eligible Investments will be deemed to be a scheduled interest payment thereon due on the date such original issue discount is scheduled to be paid.

The "Class A/B Interest Coverage Test" will be satisfied on the Closing Date or a Measurement Date on which any Class A Note or Class B Note remains outstanding if the Class A/B Interest Coverage Ratio as of such Measurement Date is equal to or greater than 112.00%; provided, that the Class A/B Interest Coverage Test will be deemed to be satisfied on the First Distribution Date. On the Closing Date, the Class A/B Interest Coverage Ratio will be approximately 142.34%.

The "Class C Interest Coverage Test" will be satisfied on the Closing Date or a Measurement Date on which any Class A Note, Class B Note or Class C Note remains outstanding if the Class C Interest Coverage Ratio
as of such Measurement Date is equal to or greater than 110.00%; provided, that the Class C Interest Coverage Test will be deemed to be satisfied on the First Distribution Date. On the Closing Date, the Class C Interest Coverage Ratio will be approximately 135.34%.

The "Class D Interest Coverage Test" will be satisfied on the Closing Date or a Measurement Date on which any Class A Note, Class B Note, Class C Note or Class D Note remains outstanding if the Class D Interest Coverage Ratio as of such Measurement Date is equal to or greater than 107.00%; provided, that the Class D Interest Coverage Test will be deemed to be satisfied on the First Distribution Date. On the Closing Date, the Class D Interest Coverage Ratio will be approximately 124.74%.

Mandatory Redemption

In the event that any of the Overcollateralization Tests or the Interest Coverage Tests applicable to a Class of Notes is not satisfied on a Determination Date related to any Distribution Date, then Interest Proceeds that would otherwise be used to make payments in respect of interest on any Class of Notes Subordinate to that Class will be used instead to redeem, first, each Class (if any) of Notes Senior to such Class of Notes (sequentially in direct order of seniority) and, second, such Class of Notes, to the extent necessary to cause each Coverage Test to be satisfied.

In addition, each Class of Notes will be subject to mandatory redemption from Principal Proceeds available after payment of certain other amounts in accordance with the Priority of Payments on each Distribution Date. Any such redemption from Interest Proceeds or Principal Proceeds will be applied to each outstanding Class of Notes sequentially in direct order of seniority and will otherwise be effected as described above under "—Priority of Payments."

Optional Redemption

Subject to certain conditions described herein, the Issuer may redeem the Notes (such redemption, an "Optional Redemption"), in whole but not in part, at the direction of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the Preference Shareholders at the applicable Redemption Price therefor on any Distribution Date, provided that no such Optional Redemption may be effected prior to the August 2009 Distribution Date. Any such Optional Redemption may only be effected on a Distribution Date at the applicable Redemption Price and only from the disposition proceeds of all Collateral including the Eligible Investments credited to the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account) on such Distribution Date. No Optional Redemption may be effected, however, unless (i) all such disposition proceeds are used, in whole or in part, to make such an Optional Redemption and (ii) such disposition proceeds (including the payment in full to the Issuer of all amounts that can be withdrawn under the Investment Agreement) are at least equal to the Redemption Amount.

Any Optional Redemption is subject to (i) the sale of the Collateral (other than the cash and Eligible Investments referred to in clause (b) of this sentence) arranged by the Collateral Manager, on the proposed Redemption Date, for a sale price in cash at least equal to (a) the Redemption Amount minus (b) the balance of the cash and Eligible Investments in the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account) and (ii) the receipt by the Trustee from the Collateral Manager of certification from the Collateral Manager of certification from the Collateral Manager that the sum so received from the purchaser satisfies clause (i). Upon receipt by the Trustee of the certification referred to in the preceding sentence, the Issuer shall take all actions necessary to sell, assign and transfer the Collateral to the prospective purchaser upon payment in immediately available funds of the sum referred to above and the Trustee shall release the Collateral from the lien of the Indenture. The Trustee shall deposit such payment into the Collection Accounts. The Collateral Manager or an Affiliate thereof may be the purchaser of the Collateral in accordance with the procedures set forth in the Management Agreement.

Auction Call Redemption

In accordance with the procedures set forth in Schedule B to this Offering Circular (the "Auction Procedures"), the Auction Agent shall, at the expense of the Issuer, conduct an auction (an "Auction") of the
Underlying Assets if, on or prior to the Distribution Date occurring in August 2012, the Notes have not been redeemed in full and the holders of the Preference Shares have not directed an Optional Redemption of the Notes. The Auction will be conducted not later than seven Business Days prior to (a) the Distribution Date occurring in August 2012 (the "First Auction Call Date") and (b) if the Notes are not redeemed in full on such Distribution Date, each subsequent Distribution Date occurring on or closest to any six-month anniversary of the First Auction Call Date (each, a "Subsequent Auction Call Date" and, together with the First Auction Call Date, each an "Auction Date"), until the Notes have been redeemed in full. Any of the Collateral Manager (if it is not the Auction Agent), the Initial Purchasers, the Preference Shareholder or the Trustee or any of their respective affiliates may, but will not be required to, bid at the Auction.

The Notes will be redeemable at the applicable Redemption Price and Preference Shares will be redeemable at a price equal to not less than the Minimum Preference Share Redemption Amount. The Notes and Preference Shares will be redeemable from the disposition proceeds of all Collateral including Eligible Investments credited to the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account); provided that funds under clauses (a) and (b) are sufficient to pay in full (i) the Redemption Amount and (ii) the Minimum Preference Share Redemption Amount. The "Minimum Preference Share Redemption Amount" shall equal (i) the aggregate liquidation preference of the Preference Shares minus (ii) the aggregate amount of all cash distributions on the Preference Shares (whether in respect of dividends or redemption payments) made to the Preference Share Paying Agent for distribution to the Preference Shareholders prior to the relevant Auction Date. If an Auction Call Redemption is not completed on any Auction Date, the Auction Agent shall carry out an Auction in accordance with the Auction Procedures on each subsequent Auction Date until an Auction Call Redemption is completed successfully (the "Auction Call Redemption Date").

Pursuant to the Management Agreement, the Issuer has designated the Collateral Manager (in such capacity, the "Auction Agent") as the Issuer's agent in connection with the sale of the Collateral in connection with any Auction Call Redemption or if the Collateral Manager indicates its desire to bid on the Underlying Assets, the Collateral Manager shall resign as Auction Agent and the Auction Agent for that Auction may be the Initial Purchasers, an Affiliate of the Initial Purchasers or another unaffiliated third party as successor Auction Agent.

The Issuer shall dispose of and transfer the Underlying Assets to the highest bidder identified by the Auction Agent (or to the highest bidder for each subpool) at the Auction and the Trustee shall release the Collateral from the lien of the Indenture, as long as:

(a) the Auction has been conducted in accordance with the Auction Procedures, as evidenced by a certification of the Auction Agent;

(b) the Auction Agent has received bids for the Underlying Assets (or for each of the related subpools) from at least two prospective purchasers (including the winning bidder) identified on a list of Qualified Bidders provided by the Auction Agent to the Trustee in accordance with the Indenture; provided that each Qualified Bidder for the Synthetic Securities shall have been approved by the relevant Synthetic Security Counterparty; provided, further, that if the Auction Agent has not received bids for one or more Synthetic Securities, the requirements of this clause may be satisfied by determining required payments from or to the Issuer relating to the termination of such Synthetic Securities and including such aggregate amount in the calculation of the Redemption Amount;

(c) the Auction Agent certifies that the highest bids would result in the disposition of the Underlying Assets (or the related subpools) for a purchase price (paid in cash) that, together with the balance of all Eligible Investments (including the payment in full to the Issuer of all amounts that can be withdrawn under the Investment Agreement) and cash held by the Issuer (other than Eligible Investments and cash in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account), will be at least equal to the sum of (i) the Redemption Amount and (ii) the Minimum Preference Share Redemption Amount; and

(d) the highest bidder (or the highest bidder for each subpool) enters into a written agreement with the Issuer (which the Issuer will execute if the conditions set forth above and in the Indenture are
satisfied (such execution to constitute certification by the Issuer that such conditions have been satisfied)) that obligates the highest bidder (or the highest bidder for each subpool) to acquire all of the Underlying Assets (or the relevant subpool) and provides for payment in full (in cash) of the price for any Underlying Asset that is not a Synthetic Security and any amount due to the Issuer as a result of the assignment of the Synthetic Securities to the Trustee on or prior to the sixth Business Day following the relevant Auction Date.

Provided that all of the conditions set forth in clauses (a) through (d) of the preceding paragraph have been met, the Issuer will dispose of and transfer the Underlying Assets (or the related subpool), without representation, warranty or recourse, to such highest bidder identified by the Auction Agent (or the highest bidder for each subpool, as the case may be) in accordance with and upon completion of the Auction Procedures. The Issuer will deposit the purchase price for the Underlying Assets in the Collection Accounts and, on the Distribution Date immediately following the relevant Auction Date, (i) pay the Redemption Amount and (ii) make a payment to the Preference Share Paying Agent (that shall not be less than the Minimum Preference Share Redemption Amount) for distribution to the holder of the Preference Shares in an amount equal to the remainder of such disposition proceeds and cash in the Collection Accounts (such redemption, the "Auction Call Redemption"). Notwithstanding the foregoing, the holders of 100% of the aggregate outstanding principal amount of a Class of Notes may elect, in connection with any Auction Call Redemption, to receive less than 100% of the Redemption Price that would otherwise be payable to holders of such Class (and the Redemption Price shall be reduced by such amount).

If any of the foregoing conditions is not met with respect to any Auction or if the highest bidder (or the highest bidder for any subpool, as the case may be) fails to pay the purchase price before the sixth Business Day following the relevant Auction Date, (a) the Auction Call Redemption will not occur on the Distribution Date following the relevant Auction Date, (b) the Auction Agent will notify the Trustee and the Trustee will give notice of the withdrawal, (c) subject to clause (d) below, the Trustee on behalf of the Issuer will decline to consummate such sale and the Auction Agent will not solicit any further bids or otherwise negotiate any further disposition of Underlying Assets in relation to such Auction and (d) unless the Notes are redeemed in full prior to the next succeeding Auction Date, the Auction Agent will conduct another Auction on the next succeeding Auction Date.

The Notes may not be redeemed pursuant to an Auction Call Redemption unless, at least four Business Days before the scheduled Redemption Date, the Collateral Manager shall have furnished to the Trustee and each Interest Rate Swap Counterparty evidence, in form satisfactory to the Trustee, that the Issuer has entered into a binding agreement or agreements with (or guaranteed by) a financial institution or institutions (whose long-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating from each Rating Agency at least equal to the highest rating of the Notes then outstanding or whose short-term unsecured debt obligations have a credit rating of at least "A-1" by Standard & Poor's and (if rated by Fitch) at least "F1" by Fitch and provided that in case such financial institution is the Collateral Manager no credit rating is required) to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, in immediately available funds, all or part of the Underlying Assets at a sale price (including in such price an amount equal to any accrued interest) which, together with the balance of the cash and Eligible Investments in the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account), is at least equal to (i) the Redemption Amount and (ii) the Minimum Preference Share Redemption Amount.

Clean-Up Call Redemption

At the direction of the Collateral Manager, the Notes will be subject to redemption by the Issuer, in whole but not in part (a "Clean-Up Call Redemption"), at the applicable Redemption Price on any Distribution Date which occurs on or after the Distribution Date on which the aggregate outstanding principal amount of the Notes is less than or equal to 10% of the original aggregate outstanding principal amount of the Notes as of the Closing Date. Any such redemption may only be effected on a Distribution Date and only from the disposition proceeds of all Collateral including the Eligible Investments credited to the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account).

Any Clean-Up Call Redemption is subject to (a) the purchase of the Collateral (other than the cash and Eligible Investments referred to in clause (ii) below) by the Collateral Manager or any of its Affiliates from the
Issuer, on the scheduled Redemption Date, for a purchase price in cash at least equal to (i) the Redemption Amount minus (ii) the balance of the cash and Eligible Investments in the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account, but including the payment in full to the Issuer of all amounts that can be withdrawn under the Investment Agreement) and (b) the receipt by the Trustee, prior to such purchase, of the Collateral Manager's certification that the sum so received satisfies clause (a). Upon receipt by the Trustee of the Collateral Manager's certification, the Trustee and the Issuer shall take all actions necessary to sell, assign and transfer the Collateral to the Collateral Manager or any of its Affiliates upon payment in immediately available funds of the purchase price. The Trustee shall deposit such payment into the Collection Accounts and apply the funds therein in accordance with the Priority of Payments on such Redemption Date.

Tax Redemption

The Notes will be redeemable (such redemption, a "Tax Redemption"), in whole but not in part, by the Issuer at the direction of a Majority-in-Interest of Preference Shareholders. Any such redemption may only be effected on a Distribution Date at the applicable Redemption Price and only from the disposition proceeds of all Collateral including the Eligible Investments credited to the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account). No Tax Redemption may be effected, however, unless (i) all such disposition proceeds are used, in whole or in part, to make such Tax Redemption, (ii) such disposition proceeds (including the payment in full to the Issuer of all amounts that can be withdrawn under the Investment Agreement) are sufficient to pay in full the Redemption Amount, (iii) a Tax Event shall have occurred and (iv) the Tax Materiality Condition is satisfied.

A "Tax Event" will occur, whether or not as a result of any change in law or interpretation, if (a) any obligor is required to deduct or withhold from any payment under any Underlying Asset to the Issuer for or on account of any tax for whatever reason, whether or not as a result of any change in law or interpretation, and such obligor is not required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding occurred, (b) the Issuer or the Interest Rate Swap Counterparty is required to deduct or withhold from any payment under the Interest Rate Swap Agreement for or on account of any tax and the Issuer is obligated to pay gross-up amounts to the counterparty, or the Interest Rate Swap Counterparty is not obligated to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding occurred or (c) any net income, profits or similar tax is imposed on the Issuer. The "Tax Materiality Condition" will be satisfied during any 12-month period if any combination of Tax Events results, in aggregate, in a payment, charge or tax burden to the Issuer in excess of U.S.$1,000,000.

Any Tax Redemption is subject to (a) the disposition of the Collateral (other than the cash and Eligible Investments referred to in clause (ii) below) arranged by the Collateral Manager, on the scheduled Redemption Date, for a sale price in cash at least equal to (i) the Redemption Amount minus (ii) the balance of Eligible Investments and cash in the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account), and (b) the receipt by the Trustee of certification from the Collateral Manager that the sum so received from the purchaser satisfies clause (a). Upon receipt by the Trustee of the Collateral Manager's certification, the Issuer shall take all actions necessary to sell, assign and transfer the Collateral to the prospective purchaser upon payment in immediately available funds of the sum referred to above and the Trustee shall release the Collateral from the lien of the Indenture. The Collateral Manager or an Affiliate of the Collateral Manager may purchase the Collateral. The Trustee shall deposit such payment into the Collection Accounts.

Redemption Price and Redemption Amount

The amount payable in connection with an Auction Call Redemption, Optional Redemption, Clean-Up Call Redemption or Tax Redemption of any Note will be an amount equal to (a) the aggregate outstanding principal amount of such Note being redeemed, plus (b) the accrued and unpaid interest thereon (including Defaulted Interest and Deferred Interest and interest thereon, if any) (the "Redemption Price").
"Redemption Amount" means, with respect to an Auction Call Redemption, Optional Redemption, Clean-Up Call Redemption or Tax Redemption, an amount equal to the sum of (i) the Redemption Price in respect of all Notes and (ii) all unpaid administrative expenses (including indemnities) and fees then due and payable of the Issuers, including any termination payments payable by the Issuer under the Interest Rate Swap Agreement and the Synthetic Securities, the Management Fee due to the Collateral Manager and, with respect to an Auction Call Redemption, fees and expenses of the Auction Agent.

Redemption Procedures

Notice of any Auction Call Redemption, Optional Redemption, Clean-Up Call Redemption or Tax Redemption will be given by first-class mail, postage prepaid, mailed not less than ten days and not more than 30 days prior to the date scheduled for redemption (with respect to such Auction Call Redemption, Optional Redemption, Clean-Up Call Redemption or Tax Redemption, the "Redemption Date"), to DTC, to the registered holders of the Regulation S Global Notes by delivery of the relevant notice to Euroclear and Clearstream for communication by them to entitled accountholders and to each holder of Preference Shares at such holder's address in the Note Register or, in the case of the Preference Shares, the register of Preference Shares maintained under the Preference Share Paying Agency Agreement (the "Share Register"), the Interest Rate Swap Counterparty, each Synthetic Security Counterparty, the Initial Investment Agreement Provider and to each Rating Agency. The Trustee will also give notice thereof to the Company Announcements Office of the Irish Stock Exchange. Notes must be surrendered at the offices of a Paying Agent under the Indenture in order to receive the applicable Redemption Price, unless the holder provides (a) an undertaking to surrender such Note thereafter and (b) in the case of a holder that is not a Qualified Institutional Buyer, such security or indemnity as may be required by the Issuers or the Trustee.

Any notice of redemption may be withdrawn by the Issuer up to the fifth Business Day prior to the scheduled Redemption Date by written notice to the Trustee, the Interest Rate Swap Counterparty, each Synthetic Security Counterparty, the Initial Investment Agreement Provider and the Collateral Manager; provided that such notice is effective only if the disposition proceeds and the Collateral Manager certificates (if any) required to be delivered to the Trustee with respect to an Auction Call Redemption, Optional Redemption, Tax Redemption or Clean-Up Call Redemption have not been delivered to the Trustee by such date in form satisfactory to the Trustee. Notice of any such withdrawal shall be given by the Trustee to DTC, to the registered holders of the Regulation S Global Notes by delivery of the relevant notice to Euroclear and Clearstream for communication by them to entitled accountholders and to each holder of Preference Shares at such holder's address in the Share Register.

Cancellation

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

Form, Denomination, Registration and Transfer

General

(1) The Notes which will be offered by the Initial Purchasers to persons that are not U.S. Persons and outside the United States will initially be represented by one or more Temporary Regulation S Global Notes in definitive, fully registered form, without interest coupons attached, deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee, initially for the accounts of Euroclear and Clearstream. On the 40th day after which all of the Notes of any Class have been sold to investors other than the Initial Purchasers or their Affiliates, and subject to the receipt by the Trustee of a certificate in the form provided by the Indenture from the person holding such interest, a beneficial interest in a Class of Temporary Regulation S Global Notes may be exchanged for an interest in a Permanent Regulation S Global Note of such Class in fully registered form without coupons in an amount equal to the aggregate principal amount of such interest in the Temporary Regulation S Global Note. During the Distribution Compliance Period, beneficial interests in a Regulation S Global Note may be held only through Euroclear and Clearstream. By acquisition of a beneficial interest in a Regulation S Global Note, any purchaser thereof will be deemed to represent that it is not a U.S. Person and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest only (x) to a non-U.S. Person in an offshore transaction.
in accordance with Regulation S, or (y) to a person who takes delivery in the form of a Restricted Note. Beneficial interests in each Regulation S Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream.

(2) The Notes which will be offered by the Initial Purchasers in reliance upon an exemption from the registration requirements of the Securities Act (a) under Section 4(2) of the Securities Act or (b) pursuant to Rule 144A will be represented by one or more Restricted Global Notes in fully registered form, without interest coupons attached, deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee. By acquisition of a beneficial interest in a Restricted Note, any purchaser thereof will be deemed to represent that it is a U.S. Person and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest only (a) to a Qualified Institutional Buyer that is a Qualified Purchaser, or (b) to a non-U.S. Person in an offshore transaction in accordance with Regulation S. Restricted Notes may not be transferred to non-U.S. Persons except in the form of a Regulation S Note. Interests in Restricted Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants.

(3) The Notes are subject to the restrictions on transfer set forth herein under "Transfer Restrictions."

(4) Owners of beneficial interests in Regulation S Global Notes and Restricted Global Notes will be entitled or required, as the case may be, under certain limited circumstances described below, to receive physical delivery of certificated Notes (either a "Restricted Definitive Note" or a "Regulation S Definitive Note" and collectively, "Definitive Notes") in fully registered, definitive form. No owner of an interest in a Regulation S Global Note will be entitled to receive a Definitive Note (a) until after the expiration of the Distribution Compliance Period and (b) unless (i) for a person other than a distributor (as defined in Regulation S), such person provides certification that the Definitive Note will be owned by a person that is not a U.S. Person (as defined in Regulation S) or (ii) for a person that is a U.S. Person, such person provides certification that any interest in such Definitive Note was purchased in a transaction that did not require registration under the Securities Act and that such person is a Qualified Purchaser. The Notes are not issuable in bearer form.

(5) Pursuant to the Indenture, the Trustee has been appointed and will serve as the registrar of the Notes (the "Note Registrar") and will provide for the registration of the Notes and the registration of transfers of Notes in the register maintained by it (the "Note Register"). The Trustee has been appointed as a transfer agent with respect to the Notes (in such capacity, a "Transfer Agent").

(6) The Notes (or interests therein) will be issuable in minimum denominations of U.S.$500,000 and in integral multiples of U.S.$1,000 in excess thereof.

Global Notes

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

(2) Investors may hold their interests in a Regulation S Global Note directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations which are participants in such systems. After the Distribution Compliance Period (but not earlier), investors may also hold such interests other than through Euroclear or Clearstream. Euroclear and Clearstream will hold interests in Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such interests in such Regulation S Notes in customers'
securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in a Restricted Global Note directly through DTC, if they are participants in such system, or indirectly through organizations which are participants in such system.

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

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

Definitive Notes

Interests in a Regulation S Note or a Restricted Note represented by a Global Note will be exchangeable or transferable, as the case may be, for a Regulation S Note or a Restricted Note, respectively, that is a Definitive Note if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Note, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuer within 90 days, (c) the transferee of an interest in such Global Note is required by law to take physical delivery of securities in definitive form, (d) any Regulation S Global Note becomes immediately due and payable following an Event of Default under the Indenture, (e) DTC, Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holiday), (f) DTC, Euroclear or Clearstream announces an intention permanently to cease business and no alternative clearance system satisfactory to the Issuer is available, (g) as a result of any amendment to, or change in, the laws or regulations of the Cayman Islands or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form or (h) the Issuer so elects by notice to the holders of the Notes which which would not be required were the Notes in definitive form or (h) the Issuer so elects by notice to the holders of the Notes, and DTC, Euroclear and/or Clearstream, as the case may be, do not object. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Definitive Notes bearing an appropriate legend (a "Legend") regarding restrictions on transfer to be delivered. Upon the transfer, exchange or replacement of Definitive Notes bearing a Legend, or upon specific request for removal of a Legend on a Note, the Issuers shall deliver through the Trustee or any Paying Agent to the holder and the transferee, as applicable, one or more Definitive Notes in certificated form corresponding to the principal amount of Definitive Notes surrendered for transfer, exchange or replacement that bear such Legend, or will refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of U.S. counsel, as may reasonably be required by the Issuer that neither the Legend nor the restrictions on transfer set forth therein is required to ensure compliance with the provisions of the Securities Act or the Investment Company Act. Definitive Notes will be exchangeable or transferable for interests in other Definitive Notes as described below.

Transfer and Exchange of Global Notes

(1) Transfer of a Regulation S Note (or any interest therein) to a transferee who takes delivery of such Note (or interest therein) in the form of a Restricted Note (or any interest therein) may be made before or after the end of the Distribution Compliance Period, in accordance with the Applicable Procedures (in the case of Global Notes) and upon receipt by the Trustee, the Issuers and the Note Registrar of a transfer certificate in the form provided in the Indenture to the effect that, among other things, such transfer is being made (a) to a person whom the transferor reasonably believes is a Qualified Institutional Buyer, acquiring such Notes (or any interest therein) for its
own account and to whom notice is given that the resale, pledge or other transfer is being made in reliance on the
exemption from the registration requirements of the Securities Act provided by Rule 144A and a Qualified
Purchaser, and (b) in accordance with any applicable securities laws of any state of the United States and any other
relevant jurisdiction and from the transferee in the form provided for in the Indenture. An exchange or transfer of a
Note represented by a Definitive Note to a transferee who takes delivery of such Note in the form of a Restricted
Global Note may be made after the receipt by the Note Registrar or Transfer Agent, as the case may be, of the
Definitive Notes to be so exchanged or transferred and upon receipt by the Trustee and the Issuers of a transfer
certificate in the form provided in the Indenture.

An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a
beneficial interest in such Regulation S Global Note without the provision of written certification, provided that such
transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and is effected, prior to the
expiration of the Distribution Compliance Period, through Euroclear or Clearstream or, after the expiration of the
Distribution Compliance Period, through a clearing system other than Euroclear or Clearstream, in an offshore
transaction as required by Regulation S.

(2) Transfer of a Restricted Note (or any interest therein) to a transferee who takes delivery of such
Note (or interest therein) in the form of a Regulation S Note will be made only in accordance with the Applicable
Procedures (in the case of Global Notes) and upon receipt by the Trustee, the Issuers and the Note Registrar of a
transfer certificate in the form provided in the Indenture to the effect that such transfer is being made to a non-U.S.
Person in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S.
An exchange or transfer of a Note represented by a Definitive Note to a transferee who takes delivery of such Note
in the form of a Regulation S Global Note may be made after the receipt by the Note Registrar or Transfer Agent, as
the case may be, of the Definitive Notes to be so exchanged or transferred and upon receipt by the Trustee and the
Issuers of a transfer certificate in the form provided in the Indenture.

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

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

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

(5) For so long as any of the Notes are listed on the Irish Stock Exchange and the rules of such
exchange shall so require, the Issuers will have a paying agent for such Notes in Ireland and payments on and
transfers or exchanges of interests in such Notes may be effected through the Irish Paying Agent. If the Irish Paying
Agent is replaced at any time during such period, notice of the appointment of any replacement will be given to the

(6) No service charge will be made for exchange or registration of transfer of any Note but the Trustee
may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith
and expenses of delivery (if any) not made by regular mail.
(7) Definitive Notes issued upon any exchange or registration of transfer of Notes will be valid obligations of the Issuers, evidencing the same debt, and entitled to the same benefits, as the Definitive Notes surrendered upon exchange or registration of transfer.

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

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

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

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

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

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

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

(15) The Issuer may impose additional transfer restrictions to comply with the USA PATRIOT Act, or any similar laws or regulations to the extent they are applicable to the Issuer, and each holder of Securities will be required to comply with such transfer restrictions.

Preference Shares

The Preference Shares will be issued in fully registered, definitive form, registered in the name of the legal owner thereof (or a nominee acting on behalf of the disclosed legal owner thereof). No Preference Share may be transferred except in accordance with the terms set forth in the Issuer Charter and the Preference Share Paying Agency Agreement.

No Gross-Up

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

The Indenture

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

Events of Default

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

(a) a default on any Distribution Date in the payment of any interest accrued during the Interest Period immediately preceding such Distribution Date (i) on any Class A Note or Class B Note, (ii) if there are no Class A Notes or Class B Notes outstanding, on any Class C Note, (iii) if there are no Class A Notes, Class B Notes or Class C Notes outstanding, on any Class D Note or (iv) if there are no Class A Notes, Class B Notes, Class C Notes, or Class D Notes outstanding, on any Class E Note, when the same becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a failure to make such payment resulting, as certified in writing by the Trustee, solely from an administrative error or omission by the Trustee, the Administrator, any Paying Agent or the Note Registrar, seven days);

(b) a default in the payment of principal of any Note at its Stated Maturity or Redemption Date or, in the case of a failure to make such payment resulting solely from an administrative error or omission by the Administrator, the Trustee, any Paying Agent or the Note Registrar which continues for a period of seven days;

(c) the failure on any Distribution Date to disburse amounts (other than a default in payment described in clause (a) or (b) above) available in the Interest Collection Account or Principal Collection Account in accordance with the order of priority set forth above under "—Priority of Payments", which failure continues for a period of two Business Days or, in the case of a failure resulting solely from an administrative error or omission by the Trustee, the Administrator, any Paying Agent or the Note Registrar, which failure continues for a period of seven days;

(d) either of the Issuers becomes an investment company required to be registered under the Investment Company Act;
(e) a default in the performance, or breach, of any other covenant or other agreement (other than any covenant to meet the Collateral Quality Tests or the Coverage Tests) of the Issuer or the Co-Issuer under the Indenture or any representation or warranty of the Issuer or the Co-Issuer made in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 days (or, if such default or breach has an adverse effect on the validity, perfection or priority of the security interest granted under the Indenture, 15 days) after any of the Issuer, the Co-Issuer or the Collateral Manager has actual knowledge thereof or after notice thereof to the Issuer and the Collateral Manager by the Trustee or to the Issuer, the Collateral Manager and the Trustee by the holders of at least 50% in aggregate outstanding principal amount of Notes of the Controlling Class;

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

(g) one or more final judgments being rendered against either of the Issuers that exceed, in the aggregate, U.S.$1,000,000 (or such lesser amount as each Rating Agency may specify) and which remain unstayed, undischarged and unsatisfied for 30 days after such judgment(s) becomes nonappealable, unless adequate funds have been reserved or set aside for the payment thereof.

If either of the Issuers obtains knowledge, or has reason to believe, that an Event of Default has occurred and is continuing, such Co-Issuer is obligated to promptly notify the Trustee, the Preference Share Paying Agent, the Collateral Manager, the Noteholders, the Interest Rate Swap Counterparty, the Synthetic Security Counterparty, the Initial Investment Agreement Provider, the other of the Issuers and each Rating Agency of such Event of Default in writing.

If an Event of Default occurs and is continuing (other than an Event of Default described in clause (f) under "Events of Default" above), the Trustee (at the direction of the holders of a majority in aggregate outstanding principal amount of the Controlling Class) by notice to the Issuers, or holders of a majority in aggregate outstanding principal amount of the Controlling Class by notice to the Issuers and the Trustee, may declare the principal of and accrued and unpaid interest on all of the Notes to be immediately due and payable. If an Event of Default described in clause (f) above under "Events of Default" occurs, such an acceleration will occur automatically and without any further action. Notwithstanding the foregoing, if the sole Event of Default is an Event of Default described in clause (a) or clause (b) above under "Events of Default" with respect to a default in the payment of any principal of or interest on the Notes of a Class other than the Controlling Class, neither the Trustee nor the holders of such non-Controlling Class will have the right to declare such principal and other amounts to be immediately due and payable. Any declaration of acceleration may under certain circumstances be rescinded by the holders of at least a majority in aggregate outstanding principal amount of Notes of the Controlling Class. The "Controlling Class" will be the Class A Notes or, if there are no Class A Notes outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes outstanding, the Class E Notes.

If an Event of Default occurs and is continuing when any Note is outstanding, the Trustee will retain the Collateral intact and collect all payments in respect of the Collateral and continue making payments in the manner described under "—Priority of Payments" unless:

(a) the Trustee, or an independent investment banking firm of national reputation selected by the Trustee at the expense of the Issuer, determines that the anticipated net proceeds of a sale or liquidation of such Collateral would be sufficient to discharge in full the amounts then due and unpaid on the Notes and certain administrative expenses (including any amounts due to the Collateral Manager and the Interest Rate Swap Counterparty) in accordance with the Priority of Payments and the holders of a majority in aggregate outstanding principal amount of the Controlling Class agree with such determination; or
(b) the holders of at least 66 2/3% in aggregate outstanding principal amount of each Class of the Notes voting as a separate Class (and (i) the Interest Rate Swap Counterparty, unless no early termination payment would be owing by the Issuer to the Interest Rate Swap Counterparty or it will be paid in full all amounts owing to it by the Issuer and (ii) the Synthetic Security Counterparty, unless no payment would be owing by the Issuer to the Synthetic Security Counterparty or it will be paid in full all amounts owing to it by the Issuer) direct, subject to the provisions of the Indenture, the sale of the Collateral.

If an Event of Default occurs and is continuing and either condition (a) or condition (b) above is satisfied, the Trustee will liquidate the Collateral, including the termination or novation of the Synthetic Securities, and terminate the Interest Rate Swap Agreement and, on the second Business Day (the "Accelerated Maturity Date") following the Business Day on which the Trustee notifies the Issuer, the Collateral Manager and each Rating Agency that such liquidation and such termination is completed, apply the proceeds thereof, net of reasonable costs of collection and enforcement, in accordance with the Priority of Payments described above under "Priority of Payments—Interest Proceeds" and "Priority of Payments—Principal Proceeds." The Accelerated Maturity Date will be treated as a Distribution Date.

The holders of a majority in aggregate outstanding principal amount of Notes of the Controlling Class will have the right to direct the Trustee in the conduct of any proceedings for any remedy available to the Trustee, provided that (a) such direction will not conflict with any rule of law or the Indenture; (b) the Trustee may take any other action not inconsistent with such direction (and the Trustee need not take any action whether pursuant to direction from the Controlling Class or otherwise that it determines might involve it in liability unless it has received indemnity against such liability as set forth in (c)); (c) the Trustee has been provided with indemnity satisfactory to it; and (d) any direction to undertake a sale of the Collateral may be made only as described in the preceding paragraph.

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

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

The holders of a majority in aggregate outstanding principal amount of Notes of the Controlling Class, acting together with each Synthetic Security Counterparty, may, prior to the time a judgment or decree for the payment of money due has been obtained by the Trustee, waive any past default on behalf of the holders of all the Notes and its consequences, except a default in the payment of the principal of any Note or in the payment of interest (including any Deferred Interest, Defaulted Interest or interest thereon) on the Class A Notes or, after the Class A Notes have been paid in full, the Class B Notes or, after the Class B Notes have been paid in full, the Class C Notes, after the Class C Notes have been paid in full, the Class D Notes or, after the Class D Notes are paid in full, the Class E Notes, or in respect of a provision of the Indenture that cannot be modified or amended without the waiver or consent of the holder of each outstanding Note affected thereby or arising as a result of an Event of Default described in clause (d) above under "Events of Default." Notwithstanding any such grant of a waiver, the Interest Rate Swap Counterparty may rescind such waiver by notice to the Trustee, the Collateral Manager, each Synthetic Security Counterparty and the holders of the Controlling Class of Notes (given within five Business Days after receipt of notice of such waiver) if the Interest Rate Swap Counterparty delivers a certification to the effect that such waiver will have a material and adverse effect on the Interest Rate Swap Counterparty.

No holder of a Note will have the right to institute any proceeding with respect to the Indenture unless (a) such holder previously has given to the Trustee written notice of an Event of Default, (b) except in certain cases of a default in the payment of principal or interest, the holders of at least 50% in aggregate outstanding principal amount of the Notes of the Controlling Class have made a written request upon the Trustee to institute such
proceedings in its own name as Trustee and such holders have offered the Trustee reasonable indemnity, (c) the Trustee has for 30 days failed to institute any such proceeding and (d) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the holders of a majority in aggregate outstanding principal amount of the Notes of the Controlling Class.

In determining whether the holders of the requisite percentage of Notes or requisite percentage in interest of Preference Shareholders have given any direction, notice or consent, (a) Notes owned by the Issuer, the Co-Issuer or any affiliate thereof shall be disregarded and deemed not to be outstanding and (b) in relation to any assignment or termination of the Management Agreement (including the exercise of any right to remove the Collateral Manager or terminate the Management Agreement) or any amendment or other modification of the Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager, Collateral Manager Securities shall be disregarded and deemed not to be outstanding. Collateral Manager Securities shall be disregarded and deemed not to be outstanding for purposes of determining whether holders of the requisite percentage in interest of Preference Shares have approved certain acquisitions of Underlying Assets from the Collateral Manager or its Affiliates. The Collateral Manager and its Affiliates will be entitled to vote Notes and Preference Shares held by them with respect to all matters other than those described in the foregoing clause (b) (including the selection of or consent to a successor collateral manager that is not an Affiliate of the existing Collateral Manager). The term "Collateral Manager" for purposes of this paragraph includes any successor or successors to HBK Investments L.P.

Notices

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

Modification of the Indenture

With the consent of (a) the holders of not less than a majority of each Class materially and adversely affected thereby and all of the Preference Shareholders if materially and adversely affected thereby, (b) the consent of the Interest Rate Swap Counterparty adversely affected thereby, (c) the consent of the Synthetic Security Counterparty adversely affected thereby and (d) the consent of the Initial Investment Agreement Provider adversely affected thereby, the Trustee and Issuers may enter into one or more indentures to add any provisions to, or change in any manner or eliminate any of the provisions of, the Indenture or modify in any manner the rights of the Noteholders of such Class, the Preference Shareholders, the Interest Rate Swap Counterparty, the Synthetic Security Counterparty or the Initial Investment Agreement Provider, as the case may be, under the Indenture. Unless notified by holders of a majority in aggregate outstanding principal amount of any Class of Notes, a Majority-in-Interest of Preference Shareholders, the Interest Rate Swap Counterparty the Synthetic Security Counterparty or the Initial Investment Agreement Provider that such Class of Notes or the Preference Shares, as the case may be, will be materially and adversely affected, or the Interest Rate Swap Counterparty will be adversely affected, or the Synthetic Security Counterparty will be adversely affected, or the Initial Investment Agreement Provider will be adversely affected, the Trustee may, consistent with the written advice of counsel, determine whether or not such Class of Notes or the Preference Shares would be materially and adversely affected, or the Interest Rate Swap Counterparty would be adversely affected, or the Synthetic Security Counterparty would be adversely affected, or the Initial Investment Agreement Provider would be adversely affected, by such change (after giving 15 Business Days’ notice of such change to the holders of such Class of Notes, the Preference Shareholders, the Interest Rate Swap Counterparty and the Initial Investment Agreement Provider). Such determination shall be conclusive and binding on all present and future Noteholders, the Preference Shareholders, the Interest Rate Swap Counterparty, the Synthetic Security Counterparty and the Initial Investment Agreement Provider.

Notwithstanding the foregoing, the Trustee may not enter into any supplemental indenture without the consent of each holder of each outstanding Note of each Class affected thereby and each Preference Shareholder if the Preference Shares are affected by the supplemental indenture if such supplemental indenture:
changes the Stated Maturity of any Note or the scheduled redemption date of the Preference Shares or the due date of any installment of interest on any Note or distribution of Excess Interest in respect of a Preference Share, reduces the principal amount of any Note or the rate of interest thereon, or the redemption price with respect to any Note or Preference Share, changes the earliest date on which the Issuer may redeem any Note or Preference Share or the amount of Excess Interest or Excess Principal Proceeds payable in respect of a Preference Share, changes the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal of or interest on the Notes or the payment of Excess Interest and Excess Principal Proceeds in respect of the Preference Shares, changes any place where, or the coin or currency in which, any Note or any Preference Share, or the principal thereof or interest thereon or any Excess Interest or Excess Principal Proceeds in respect thereof, respectively, is payable, or impairs the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof or the scheduled redemption date of the Preference Shares (or, in the case of redemption, on or after the applicable redemption date);

(b) reduces the percentage in aggregate outstanding principal amount of holders of Notes of each Class or the percentage of Preference Shares whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with applicable provisions of the Indenture or certain defaults thereunder or their consequences;

(c) impairs or adversely affects the Collateral pledged under the Indenture except as otherwise permitted thereby;

(d) permits the creation of any lien ranking prior to or on a parity with the lien created by the Indenture with respect to any part of the Collateral or terminates such lien on any property at any time subject thereto or deprives the holder of any Note of the security afforded by the lien created by the Indenture;

(e) reduces the percentage of the aggregate outstanding principal amount of holders of Notes of each Class whose consent is required to request that the Trustee preserve the Collateral pledged under the Indenture or rescind the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Indenture;

(f) modifies any of the provisions of the Indenture with respect to supplemental indentures requiring the consent of Noteholders except to increase the percentage of outstanding Notes (or percentage of Preference Shares) whose holders' consent is required for any such action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note or Preference Share affected thereby;

(g) modifies the definition of the term "Outstanding," the Priority of Payments or the subordination provisions of the Indenture;

(h) changes the permitted minimum denominations of any Class of Notes or the minimum number of Preference Shares; or

(i) modifies any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest on or principal of any Note or the calculation of the amount of Excess Interest or Excess Principal Proceeds with respect to the Preference Shares on any Distribution Date or the right of the Noteholders or the Preference Shareholders to the benefit of any provisions for the redemption of such Notes or Preference Shares contained in the Indenture;

provided that no such supplemental indenture shall modify the rights of the Preference Shareholders without the written consent of each Preference Shareholder. At any time that any Class of Notes is rated by any Rating Agency, the Trustee shall not enter into any such supplemental indenture if, as a result of such supplemental indenture, the
Rating Condition would not be satisfied with respect to such supplemental indenture, unless each holder of Notes of each Class whose rating will be reduced or withdrawn has consented to such supplemental indenture.

The Issuers and the Trustee may also enter into supplemental indentures without obtaining the consent of the holders of any Notes or Preference Shares, the Interest Rate Swap Counterparty the Synthetic Security Counterparty or the Initial Investment Agreement Provider in order to, among other things:

(a) evidence the succession of any person to the Issuer or the Co-Issuer and the assumption by such successor of the covenants in the Indenture and the Notes or to change the name of the Issuer or the Co-Issuer;

(b) add to the covenants of the Issuers or the Trustee for the benefit of the holders of all of the Notes and Preference Shares or to surrender any right or power conferred upon the Issuers;

(c) convey, transfer, assign, mortgage or pledge any property to or with the Trustee;

(d) evidence and provide for the acceptance of appointment under the Indenture by a successor trustee, collateral manager, listing agent, calculation agent, custodian, securities intermediary, note registrar, paying agent and/or collateral administrator and the compensation thereof and to add to or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the trusts under the Indenture by more than one Trustee;

(e) correct or amplify the description of any property at any time subject to the lien created by the Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subject to the lien created by the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or to subject to the lien created by the Indenture any additional property;

(f) make administrative and other non-material changes as the Issuer deems appropriate;

(g) obtain ratings on one or more Classes of Notes from any rating agency;

(h) with the prior written consent of the Collateral Manager, modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any changes in applicable law or regulation (or the interpretation thereof) or to enable the Issuers to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder;

(i) with the prior written consent of the Collateral Manager, correct any inconsistency, defect or ambiguity in the Indenture;

(j) with the prior written consent of the Collateral Manager, modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any changes in applicable law or regulation (or the interpretation thereof) or in accordance with the USA PATRIOT Act, or other similar applicable laws or regulations to enable the Issuers to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder;

(k) avoid the imposition of tax on the net income of the Issuer (or to reduce the amount of such tax payable by the Issuer) or of withholding tax on any payment to the Issuer, or prevent the Noteholders, the Preference Shareholders or the Trustee from being subject to withholding or other taxes, fees or assessments, or prevent the Issuer from being treated as engaged in a United States trade or business for U.S. federal income tax purposes or otherwise subject to U.S. federal, state, local or foreign income or franchise tax on a net income tax basis, or avoid the Issuer being required to register as an investment company under the Investment Company Act (or to reflect
any change permitted by the Indenture to avoid the occurrence of a Tax Event or the existence of a Tax Materiality Condition; provided that such action will not cause the Noteholders to be adversely affected to any material extent by any change to the timing, character or source of the income from the Note;

(l) with the prior written consent of the Collateral Manager, to avoid the consolidation of the Issuer with the Collateral Manager on the financial statements of the Collateral Manager;

(m) accommodate the issuance of any Class of Notes as definitive notes;

(n) if 100% of the Preference Shareholders request in writing to the Issuer and the Trustee, accommodate the issuance of additional Preference Shares with terms identical to those of the existing Preference Shares;

(o) if the Collateral Manager consents, modify the Auction Procedures; or

(p) correct any manifest error in any provision of the Indenture upon receipt by the Trustee of written direction from the Issuers describing in reasonable detail such error and the modification necessary to correct such error;

provided that, in each such case, such supplemental indenture would not materially and adversely affect any holder of Notes or any Preference Shareholder or adversely affect the Interest Rate Swap Counterparty, the Synthetic Security Counterparty or the Initial Investment Agreement Provider. Unless notified by holders of a majority in aggregate outstanding principal amount of Notes of any Class, a Majority-in-Interest of Preference Shareholders, the Interest Rate Swap Counterparty, the Synthetic Security Counterparty or the Initial Investment Agreement Provider that such Class or the Preference Shareholders will be materially and adversely affected, the Trustee may rely upon an opinion of counsel as to whether the interests of any Noteholder or Preference Shareholder would be materially and adversely affected, or the Interest Rate Swap Counterparty would be adversely affected, or the Synthetic Security Counterparty would be adversely affected, or the Initial Investment Agreement Provider will be adversely affected, the Trustee may enter into such supplemental indenture after giving ten days' notice of such change to each Noteholder, Preference Shareholder, the Interest Rate Swap Counterparty, the Synthetic Security Counterparty and the Initial Investment Agreement Provider. The Trustee may not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Condition would not be satisfied; provided that the Trustee may, with the consent of each holder of Notes of each Class with respect to which the Rating Condition would not be satisfied, enter into any such supplemental indenture notwithstanding any such reduction or withdrawal of the ratings of such Class of Notes.

Notwithstanding any of the foregoing, the Trustee may not enter into any supplemental indenture without the prior written consent of the Collateral Manager, if such supplemental indenture adversely affects the Collateral Manager (as determined by the Collateral Manager in its reasonable judgment) in any respect or changes the rights or obligations of the Collateral Manager in any respect.

Modification of Certain Other Documents

Prior to entering into any amendment or other modification of, or consenting to or directing any assignment or termination of the Management Agreement or the Interest Rate Swap Agreement, the Issuer is required by the Indenture to obtain the written confirmation of each Rating Agency that the Rating Condition is satisfied with respect to such amendment, modification, assignment or termination. Prior to entering into any waiver in respect of any of the foregoing agreements, the Issuer is required to provide each Rating Agency, the Collateral Manager, the Interest Rate Swap Counterparty, the Synthetic Security Counterparty and the Trustee with written notice of such waiver. The Indenture also provides that the Issuer may not amend or modify, or consent to or direct any assignment or termination of the Administration Agreement without the prior written consent of a Special-Majority-in-Interest of Preference Shareholders, the Interest Rate Swap Counterparty and the Synthetic Security Counterparty
(if the Interest Rate Swap Counterparty or the Synthetic Security Counterparty would be adversely affected thereby). The Interest Rate Swap Counterparty and the Synthetic Security Counterparty will be an express third party beneficiary of the Indenture.

**Consolidation, Merger or Transfer of Assets**

Except under the limited circumstances set forth in the Indenture, neither of the Issuers may consolidate with, merge into, or transfer or convey all or substantially all of its assets to, any other corporation, partnership, trust or other person or entity.

**Petitions for Bankruptcy**

The Indenture provides that the Noteholders agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Issuer or the Co-Issuer before one year (or, if longer, the applicable preference period then in effect, including any period established pursuant to the laws of the Cayman Islands) and one day have elapsed since the payment in full of all Notes.

**Satisfaction and Discharge of Indenture**

The Indenture will be discharged with respect to the Collateral upon delivery to the Trustee for cancellation of all of the Notes, or, within certain limitations (including the obligation to pay principal and interest, including Deferred Interest, Defaulted Interest and interest on Defaulted Interest), upon deposit with the Trustee of funds sufficient for the payment or redemption thereof and the payment by the Issuers of all other amounts due under the Notes, the Indenture, the Interest Rate Swap Agreement (including all relevant termination payments), the Administration Agreement, the Preference Share Paying Agency Agreement and the Management Agreement.

**Trustee**

Deutsche Bank Trust Company Americas will be the Trustee under the Indenture. The Issuers, the Collateral Manager and their respective affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee is solely the obligation of the Issuers. The Trustee and its affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Indenture. Eligible Investments may include investments for which the Trustee and/or its affiliates provide services. The Indenture contains provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture. Pursuant to the Indenture, the Issuer has granted to the Trustee a lien senior to that of the Noteholders to secure payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer under the Indenture (subject to the dollar limitations set forth in the Priority of Payments with respect to any Distribution Date), which lien the Trustee is entitled to exercise only under certain circumstances. The Trustee may resign at any time by giving written notice of such resignation to the Preference Share Paying Agent, the Issuers, the Noteholders, the Collateral Manager and each Rating Agency. The Trustee may be removed by 66 2/3% in aggregate outstanding principal amount of the Notes (voting together as a single Class) or, at any time when an Event of Default shall have occurred and be continuing or when a successor Trustee has been appointed pursuant to the Indenture, by a majority in aggregate outstanding principal amount of the Controlling Class. No resignation or removal of the Trustee will become effective until the acceptance of the appointment of a successor Trustee. In the Indenture, the Trustee will agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Issuers for nonpayment to the Trustee of amounts payable thereunder until at least one year, or if longer, the applicable preference period then in effect including any period established pursuant to the laws of the Cayman Islands, and one day after the payment in full of all of the Notes.
Characterization of the Notes

The Issuer will treat the Notes as indebtedness of the Issuer for U.S. Federal, state and local income tax purposes. The Indenture will provide that each holder, by accepting a Note, agrees not to take any action inconsistent with such treatment unless required by law.

Governing Law

The Notes, the Indenture, the Subscription Agreements, the Management Agreement, the Collateral Administration Agreement, the Interest Rate Swap Agreement, each Synthetic Security, the Initial Investment Agreement, the Preference Share Paying Agency Agreement and the Note Purchase Agreement will be governed by the law of the State of New York. The Issuer Charter, the Preference Shares and the Administration Agreement will be governed by the law of the Cayman Islands.

Reports

The Issuer will deliver, or cause to be delivered, a monthly report (the "Monthly Report"), except for the months when it prepares the Note Valuation Report described below, containing certain information regarding, among other things, the characteristics and performance of the Underlying Assets included in the Collateral. The Issuer will deliver, or cause to be delivered, as of each Determination Date, a report (the "Note Valuation Report"), containing certain information regarding, among other things, the aggregate principal amount of, and payments of interest on or principal of, the Notes and the information with respect to the Underlying Assets normally included in the Monthly Report. In connection with the Monthly Report, the Issuer also shall provide, or cause to be provided, certain monitoring information to each Rating Agency as set forth in the Indenture. The Note Valuation Report will be delivered no later than 2 Business Days prior to the relevant Distribution Date.

Collateral Administrator

On or before the Closing Date, the Issuer shall enter into a collateral administration agreement (the "Collateral Administration Agreement") among the Issuer, the Collateral Manager and Deutsche Bank Trust Company Americas, as collateral administrator (in such capacity, the "Collateral Administrator"), pursuant to which the Collateral Administrator will assist the issuer in certain data collection and compellation functions with respect to the Underlying Assets.
CERTAIN TERMS OF THE PREFERENCE SHARES

The following summary describes certain terms and conditions applicable to the Preference Shares, which are not offered hereby. This summary, together with other portions of this Offering Circular summarizing terms and conditions applicable to the Preference Shares, does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture, the Issuer Charter and the Preference Share Paying Agency Agreement.

Status of the Preference Shares

The Preference Shares are equity in the Issuer and are not secured by the Collateral securing the Notes. As such, the Preference Shareholders will, on a winding up of the Issuer, rank behind all of the creditors, whether secured or unsecured and known or unknown, of the Issuer, including, without limitation, the Noteholders, the Interest Rate Swap Counterparty, the Synthetic Security Counterparty, the Initial Investment Agreement Provider and any judgment creditors.

Payments in respect of the Preference Shares are subject to certain requirements imposed by Cayman Islands law. Any amounts paid by the Preference Share Paying Agent as distributions by way of dividend on the Preference Shares will be payable only if the Issuer has sufficient distributable profits and/or share premium. In addition, such distributions and the payment of Excess Principal Proceeds upon redemption of the Preference Shares will be payable only to the extent that the Issuer is and remains solvent after such distributions are paid. Under Cayman Islands law, a company is generally deemed solvent if it is able to pay its debts as they come due.

To the extent the requirements under Cayman Islands law described in the preceding paragraph are not met, amounts otherwise payable to the Preference Shareholders will be retained in the Preference Share Payment Account until, in the case of any payment by way of dividend which would otherwise be payable other than on a redemption date of the Preference Shares, the next succeeding Distribution Date, or, in the case of any payment which would otherwise be payable on a redemption date of the Preference Shares, the next succeeding Business Day, in each case on which the Issuer notifies the Preference Share Paying Agent that such requirements are met. Amounts on deposit in the Preference Share Payment Account will not be available to pay amounts due to the Noteholders, the Trustee, the Collateral Manager, the Administrator, the Interest Rate Swap Counterparty or any other creditor of the Issuer whose claim is limited in recourse to the Collateral. However, amounts on deposit in the Preference Share Payment Account may be subject to the claims of creditors of the Issuer that have not contractually limited their recourse to the Collateral.

Rights of Consent of the Preference Shareholders

Set forth below is a summary of certain matters with respect to which the consent of the Preference Shareholders is required or in respect of which the Preference Shareholders may give directions. This summary is not meant to be an exhaustive list.

Optional Redemption of the Notes: On any Distribution Date on or after the August 2009 Distribution Date, the Notes may, subject to satisfaction of certain conditions described herein, be redeemed (in whole but not in part) at the direction of the holders of at least sixty-six and two thirds percent (66 2/3%) of the Preference Shares, as described under "Description of the Notes—Optional Redemption."

Tax Redemption of the Notes: On any Distribution Date, the Notes may, subject to satisfaction of certain conditions described herein, be redeemed (in whole but not in part) at the direction of the a Majority-in-Interest of the Preference Shareholders, as described under "Description of the Notes—Tax Redemption."

The Management Agreement: For a description of certain of the rights of the Preference Shareholders in relation to the removal of the Collateral Manager and the appointment of a successor Collateral Manager, see "The Management Agreement."
The Indenture: The Issuer is not permitted to enter into a supplemental indenture without the consent of the Preference Shareholders, if materially and adversely affected thereby.

Auction Call Redemption of the Preference Shares

The Preference Shares will be subject to redemption pursuant to an Auction Call Redemption occurring on or after the First Auction Call Date under the circumstances described under "Description of the Notes—Auction Call Redemption."

Governing Law

The Preference Share Paying Agency Agreement and the Subscription Agreements will be governed by the law of the State of New York. The Issuer Charter and the Preference Shares will be governed by the law of the Cayman Islands.
USE OF PROCEEDS

The gross proceeds received from the issuance and sale of the Notes and the Preference Shares will be approximately U.S.$685,195,631. On the Closing Date, the Issuer will receive approximately U.S.$678,128,081 as the net proceeds from the issuance and sale of the Notes and the Preference Shares. The net proceeds from the issuance and sale of the Notes and the Preference Shares are the gross proceeds net of the payment of the placement and structuring fees related to the placement of the Notes and Preference Shares, the payment of other closing expenses and an initial deposit into the Expense Account. Such net proceeds from the issuance and sale of the Notes and the Preference Shares will be used by the Issuer to purchase a diversified portfolio of interests in Underlying Assets having the characteristics described herein under "Security for the Notes—Underlying Assets" and "—Closing Date Portfolio" and to fund certain accounts established under the Indenture.

On the Closing Date, the Issuer will have acquired (or committed to acquire for settlement in accordance with customary settlement procedures in the relevant markets) the entire portfolio. As of the Closing Date, the portfolio, along with funds on deposit in the Uninvested Proceeds Account, will consist of Underlying Assets (acquired or committed to be acquired) having an Aggregate Principal/Notional Balance (including principal collections on such Underlying Assets deposited in the Uninvested Proceeds Account on the Closing Date) of approximately U.S.$700,106,212. Pending investment in Underlying Assets, the Uninvested Proceeds, if any, will be deposited into the Uninvested Proceeds Account and invested in Eligible Investments. In the event that there are any remaining Uninvested Proceeds on the Determination Date preceding the First Distribution Date, they will be transferred to the Payment Account and treated as Principal Proceeds on the First Distribution Date and distributed in accordance with the Priority of Payments.
RATING OF THE NOTES

It is a condition to the issuance of the Notes that the Class A-1 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, that the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, that the Class B Notes be rated at least "Aa2" by Moody's and "AA" by Standard & Poor's, that the Class C Notes be rated at least "A2" by Moody's and "A" by Standard & Poor's, that the Class D Notes be rated at least "Baa2" by Moody's and "BBB" by Standard & Poor's and that the Class E Notes be rated at least "Ba2" by Moody's and "BB" by Standard & Poor's. The ratings assigned to the Class A Notes and the Class B Notes by Standard & Poor's address the timely payment of interest on, and the ultimate payment of the principal of, the Class A Notes and the Class B Notes. The ratings assigned to the Class C Notes, the Class D Notes and the Class E Notes by Standard & Poor's address the ultimate payment of principal of, and the ultimate payment of interest on, the Class C Notes, the Class D Notes and the Class E Notes. The ratings assigned to the Notes by Moody's address the ultimate cash receipt of all required payments as provided by the governing documents, and are based on the expected loss to the Noteholders of each Class relative to the promise of receiving the present value of such payments. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.
MATURITY AND PREPAYMENT CONSIDERATIONS

The Stated Maturity of each Class of Notes is the August 2046 Distribution Date. The Notes will mature at their Stated Maturity unless redeemed or repaid prior thereto. However, the average lives of the Notes may be less than the number of years until the Stated Maturity. Based on the portfolio of Underlying Assets that the Collateral Manager expects the Issuer to purchase no later than the Determination Date preceding the First Distribution Date, and assuming (a) no Underlying Assets default, and (b) prepayment of any Underlying Assets during any month occurs at a rate equal to an average rate of prepayment specified by the Collateral Manager, redemption will occur and the average life of each Class of Notes from the Closing Date will be as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Average Life in Years assuming an Auction Call Redemption occurring in August 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A-1 Notes</td>
<td>2.8</td>
</tr>
<tr>
<td>Class A-2 Notes</td>
<td>5.0</td>
</tr>
<tr>
<td>Class B Notes</td>
<td>5.9</td>
</tr>
<tr>
<td>Class C Notes</td>
<td>6.0</td>
</tr>
<tr>
<td>Class D Notes</td>
<td>5.5</td>
</tr>
<tr>
<td>Class E Notes</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Such average lives of the Notes are presented for illustrative purposes only. Although the Collateral Manager prepared the list in Schedule A identifying the portfolio of Underlying Assets that the Issuer will purchase on the Closing Date (or that the Issuer has committed on or prior to the Closing Date to purchase thereafter for settlement in accordance with customary settlement procedures in the relevant markets), the assumptions used to calculate the average lives of the Notes are necessarily arbitrary, do not necessarily reflect historical experience with respect to securities similar to the Underlying Assets and do not constitute a prediction with respect to the rates or timing of receipts of Interest Proceeds or Principal Proceeds, defaults, recoveries, sales, prepayments or optional redemptions to which the Underlying Assets may be subject. Actual experience as to these matters will differ, and may differ materially, from those set forth above. In addition, the assumptions set forth above do not necessarily reflect historical performance and defaults for Asset-Backed Securities and the Issuer makes no representation or warranty that such assumptions are appropriate or reasonable. Accordingly, prospective investors should make their own determinations of the expected weighted average lives and maturity of the Notes and, accordingly, their own evaluation of the merits and risks of an investment in the Notes. See "Risk Factors—Projections, Forecasts and Estimates."

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

The average lives of the Notes will be determined by the amount and frequency of principal payments. The actual average lives of the Notes will also be affected by the financial condition of the obligors of the Underlying Assets and the characteristics of such obligations, including the existence and frequency of exercise of any optional or mandatory redemption or prepayment features, the prevailing level of interest rates, the redemption price and the actual default rate and the actual level of recoveries on any Defaulted Securities. The rate of future defaults and the amount and timing of any cash realization from Defaulted Securities also will affect the average lives of the Notes.
SECURITY FOR THE NOTES

General

The Collateral securing the Notes will consist of:

(a) the Underlying Assets and Equity Securities (if any);
(b) the rights of the Issuer under the Interest Rate Swap Agreement;
(c) amounts on deposit in the Payment Account, the Interest Collection Account, the Principal Collection Account, the Expense Account, the Uninvested Proceeds Account, the Substituted Collateral Account, the Synthetic Security Collateral Account, the Synthetic Security Issuer Account and the Interest Rate Swap Counterparty Collateral Account (collectively, the "Accounts") and Eligible Investments purchased with funds on deposit in such accounts;
(d) the rights of the Issuer under the Management Agreement, the Note Purchase Agreement, the Subscription Agreements, the Collateral Administration Agreement and the Administration Agreement; and
(e) all proceeds of the foregoing (collectively, the "Collateral"). The Collateral will not include the Excepted Property.

Underlying Assets—Asset-Backed Securities

An "Asset-Backed Security" includes any Dollar-denominated asset-backed security or any security that represents a direct or indirect interest in such an asset-backed security that, at the time of acquisition (or commitment for acquisition) by the Issuer on the Closing Date, is not a Prohibited Asset or a Defaulted Security and which satisfies each of the following conditions:

(a) it provides for a fixed amount payable in cash no later than its stated maturity;
(b) the Underlying Instruments with respect to such Asset-Backed Security do not prohibit it from being purchased by the Issuer and pledged to the Trustee;
(c) it is not denominated or payable in, or convertible into an obligation or security denominated or payable in, a currency other than Dollars;
(d) it does not require the Issuer to make future advances or payments to the obligor or issuer;
(e) it has a Standard & Poor's Rating (excluding those with a rating from Standard & Poor's which includes the subscript "p", "pi", "q", "r" or "t") and a Moody's Rating;
(f) it is not "margin stock" and does not provide for conversion into "margin stock";
(g) it is not subject to an Offer;
(h) it (or, if it is a certificate of beneficial interest in an entity that is treated as a grantor trust or a partnership and not as a REMIC or FASIT for U.S. Federal income tax purposes, each of the debt instruments or securities held by such entity) is described in at least one of the following four clauses:
   (i) it is a Public Security that was issued in a firm commitment underwriting for which neither the Collateral Manager nor an Affiliate thereof served as underwriter;
(ii) it was not purchased by the Issuer (A) directly or indirectly from its issuer, (B) pursuant to a legally binding agreement made before the issuance of the obligation or security or (C) from the Collateral Manager or any of its Affiliates unless such entity (1) regularly acquires securities of the same type for its own account, (2) could have held the obligation or security for its own account consistent with its investment policies, (3) did not identify the obligation or security as intended for sale to the Issuer or the Collateral Manager within 30 days of its issuance and (4) held the obligation or security for at least 30 days;

(iii) it is a Private Security and

(A) it was originally issued pursuant to an offering circular, private placement memorandum or similar offering document;

(B) the Issuer, the Collateral Manager and the Affiliates of the Collateral Manager did not at original issuance acquire 20% or more of the aggregate principal amount of all classes of securities offered by the issuer of the Asset-Backed Security in the offering and any related offering; provided in each case that any acquisition by an Affiliate of the Collateral Manager that is not a member of the Collateral Manager Group shall be included only if the Collateral Manager or any of its employees or agents knew or had reason to know of such acquisition; and

(C) the Issuer, the Collateral Manager and any Affiliate of the Collateral Manager did not participate in negotiating or structuring the terms of the Asset-Backed Security, except (1) to the extent such participation consisted of an election by the Issuer, the Collateral Manager or an Affiliate of the Collateral Manager to tranche the subordinate classes of securities of an issue in the form of one of the structuring options offered by the issuer of the securities or (2) for the purposes of (i) commenting on offering documents to an unrelated underwriter or placement agent where the ability to comment on such documents was generally available to investors or (ii) due diligence of the kind customarily performed by investors in securities, or (3) to the extent the Collateral Manager or any Affiliate of the Collateral Manager, either directly or indirectly through a conduit issuer, was the issuer of the Asset-Backed Security; provided that any participation in negotiating or structuring by any Affiliate of the Collateral Manager that is not a member of the Collateral Manager Group shall be included only if the Collateral Manager or any of its employees or agents knew or had reason to know of such participation; or

(iv) it is either (A) the sole material obligation of a repackaging vehicle formed and operated exclusively to hold a single Asset-Backed Security described in at least one of clauses (h)(i), (h)(ii) or (h)(iii), which vehicle may also hold a derivative financial instrument or guarantee designed solely to offset one or more terms of such Asset-Backed Security or (B) a security issued by a repackaging vehicle that holds one or more Asset-Backed Securities described in at least one of clauses (h)(i), (h)(ii), (h)(iii), or (h)(iv)(A) and which is treated as a REMIC, FASIT, grantor trust, or partnership for U.S. Federal income tax purposes, and is formed by the Collateral Manager or one of its Affiliates;

(i) if interest income on an Asset-Backed Security is considered U.S.-source income for U.S. Federal income tax purposes, it is in registered form for U.S. Federal income tax purposes and it (and if it is a certificate of interest in a trust that is treated as a grantor trust and not as a REMIC or FASIT for U.S. Federal income tax purposes, each of the obligations or securities held by such trust) was issued after July 18, 1984; provided that, if it is a certificate of beneficial interest in an entity that is treated as a partnership for U.S. Federal income tax purposes, each of the obligations or securities held by such entity is in registered form for U.S. Federal income tax purposes and was issued after July 18, 1984 (a "Registered" obligation or security);
(j) either (i) the Issuer meets the certification and other requirements to receive payments with respect to the Asset-Backed Security free of U.S. and foreign withholding tax, (ii) the issuer thereof is required to make additional payments sufficient on an after-tax basis to cover any U.S. and foreign withholding tax imposed on payments made to the Issuer with respect thereto (including any tax on the additional payments described in this paragraph) or (iii) the issuer thereof has obtained or expects to obtain in the ordinary course and not more than six weeks following the issuance thereof an exemption from withholding tax for the entire period during which the Notes and the Preference Shares will be outstanding; provided that, for purposes of this clause (h), a determination that an Asset-Backed Security is eligible for exemption from U.S. withholding tax under Section 871(h) or Section 881(c) of the Code may be based on advice of Allen & Overy LLP or an opinion of counsel that the Asset-Backed Security will or should be treated as debt for U.S. Federal income tax purposes;

(k) (i) the Asset-Backed Security is the obligation of a single issuer incorporated as a corporation under the state or Federal laws of the United States, that is not a U.S. real property holding company; (ii) the Issuer has been advised by Allen & Overy LLP or has received an opinion of counsel that owning the Asset-Backed Security will not subject the Issuer to U.S. Federal income tax on a net income basis or cause the Issuer to be treated as engaged in a trade or business within the United States; (iii) the Issuer has received an opinion of counsel that the Asset-Backed Security will be treated as debt for U.S. Federal income tax purposes; (iv) the Issuer has received an opinion of counsel that for U.S. Federal income tax purposes (A) the issuer of the Asset-Backed Security is a grantor trust and (B) all the assets of the trust are regular interests in a REMIC or FASIT or interest rate floors, caps, swaps or other notional principal contracts (within the meaning of applicable Treasury Regulations), the payments under which are determined solely by reference to interest rates, or (v) the Alternative Debt Test is satisfied, provided that, for purposes of clauses (f), (g), (h) and this clause (i), (1) an opinion of counsel that the issuer of an Asset-Backed Security will be treated as a REMIC or FASIT for U.S. Federal income tax purposes shall be treated as an opinion of counsel that the Asset-Backed Security will be treated as debt for U.S. Federal income tax purposes (unless the Asset-Backed Security is the residual interest in the REMIC or the ownership interest in the FASIT), (2) if there has been no change in the terms of an Asset-Backed Security prior to its acquisition, the Issuer shall be treated as having received an opinion that it will or should be treated as debt if the Issuer either has obtained a tax opinion to that effect rendered at the issuance of such Asset-Backed Security or has received offering documents pursuant to which such Asset-Backed Security was offered that include a tax opinion to such effect or state that an opinion of counsel to such effect has been rendered, and (3) if there has been no change in any of the organizational documents of an entity issuing an Asset-Backed Security since its issuance, the Issuer shall be treated as having received an opinion that such entity will be treated as a corporation, partnership, grantor trust, REMIC or FASIT (as the case may be) for U.S. Federal income tax purposes if the Issuer either has obtained a tax opinion to that effect rendered at the time of the issuance of the Asset-Backed Security or has obtained offering documents that include an opinion of counsel to such effect or state that an opinion of counsel to such effect has been rendered;

(l) it is not a swap transaction or other derivative financial instrument referencing a debt instrument;

(m) acquisition of the Asset-Backed Security will not cause the Issuer to register, or be required to register, under the Investment Company Act;

(n) it is not convertible into one or more Equity Securities;

(o) it is not currently deferring interest or a Written Down Security;

(p) it is expected to have an outstanding Principal/Notional Balance of less than U.S.$1,000 as of the Stated Maturity of the Notes, assuming a constant prepayment rate since the date of purchase equal to the lesser of (a) 5.0% per annum and (b) the constant prepayment rate reasonably expected by the Collateral Manager as of the date of purchase, or, if constant prepayment rate is
not applicable, the slowest prepayment scenario as described in the prospectus relating to such Asset-Backed Security; and

(q) it will be pledged to the Trustee under the Indenture.

An "A/B Exchange" is an exchange of one security (the "A Security") for another security (the "B Security") of the same issuer or issuers which B Security shall have substantially identical terms to the A Security except that one or more restrictions applicable to the A Security are inapplicable to the B Security.

The "Alternative Debt Test" is satisfied with respect to a security if, on the date the Issuer acquires such security, each of the following is satisfied:

(a) such security is in the form of a note or other debt instrument and is treated as debt for corporate law purposes in the jurisdiction of the issuer of such security;

(b) the documents pursuant to which such security was offered, if any, do not require that any holder thereof treat such security other than as debt for tax purposes;

(c) such security bears interest at a fixed rate per annum or at a rate based upon a customary floating rate index plus or minus a spread and does not provide for any interest based on any other factor, such as the issuer's profits or cash flow;

(d) such security had a fixed term at original issuance not in excess of 35 years;

(e) such security provides for a fixed principal amount (leaving no amount outstanding) payable no later than its stated maturity; and

(f) such security is rated at least "BBB−" by Fitch, at least "BBB−" by Standard & Poor's or at least "Baa3" by Moody's, and if so rated, such rating is not on watch for downgrade by Moody's, as to ultimate payment of principal and interest; provided that, in the case of a security in the form of a beneficial interest in an entity that is treated (as evidenced by an opinion of counsel or a reference to an opinion of counsel in documents pursuant to which such security was offered) as a grantor trust or a partnership for U.S. Federal income tax purposes and not as an association taxable as a corporation, any of the conditions specified in clauses (a), (b), (c), (d) and (e) may be satisfied by reference to each asset held by such entity rather than by reference to such beneficial ownership interests.

"Collateral Manager Group" means the Collateral Manager and any directly or indirectly controlled subsidiary of the Collateral Manager.

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

A "Private Security" is any security that is not a Public Security, including, without limitation, any of the following:

(a) any security that was not (i) issued pursuant to an effective registration statement under the Securities Act or (ii) a privately placed security that is eligible for resale under Rule 144A or Regulation S under the Securities Act;
(b) any security (other than a Public Security or a security described by clause (c) below) that is eligible for resale under Rule 144A under the Securities Act; or

(c) any security that is not a Public Security but that (i) is eligible for resale by the Issuer under Rule 144A under the Securities Act and (ii) with respect to which the Issuer, either by itself or together with other holders of such securities, has the right to require the issuer thereof (or such issuer is otherwise obligated or is penalized if such item is not so registered), within one year from any date of determination, to register under the Securities Act the public resale of such security or to effect an A/B Exchange; provided that clause (ii) does not apply to Asset-Backed Securities.

A "Prohibited Asset" is any of the following: (a) any asset the ownership of which would cause the Issuer to be subject to income tax on a net income basis in any jurisdiction, or (b) any asset the gain from the disposition of which will be subject to U.S. Federal income or withholding tax under Section 897 or Section 1445 of the Code and Treasury Regulations promulgated thereunder; provided, however, that the Issuer shall set up a special purpose subsidiary (which shall be a corporation for U.S. tax purposes) to receive and hold an Equity Security, unless it has consulted with its tax counsel and has been advised that the Issuer can hold the Equity Security directly without causing the Issuer to be treated as engaged in a trade or business in the United States for U.S. Federal income tax purposes.

A "Public Security" is any of the following: any security (a) the public resale of which by the Issuer either has been registered under the Securities Act or is exempt from such registration pursuant to Section 4(1) or Rule 144(k) under the Securities Act, (b) issued or guaranteed by Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation or (c) issued by an issuer organized outside of the United States and registered in the jurisdiction where the issuer is organized.

Asset-Backed Securities

The Underlying Assets will consist of Asset-Backed Securities, which may include CMBS Securities, RMBS Securities, Automobile Securities, Car Rental Fleet Securities, CDO Securities, Credit Card Securities, Equipment Lease Securities, Small Business Loan Securities and Student Loan Securities, or Synthetic Securities with Reference Obligations as Asset-Backed Securities. Asset-Backed Securities are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities.

Issuers of Asset-Backed Securities are primarily banks and finance companies, captive finance subsidiaries of non-financial corporations or specialized originators such as credit card lenders, or trusts or entities formed by such institutions to issue Asset-Backed Securities. Credit risk is an important issue in Asset-Backed Securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. Accordingly, Asset-Backed Securities generally include one or more credit enhancements that are designed to raise the overall credit quality of the security above that of the underlying collateral. Another important type of Asset-Backed Security is commercial paper issued by special-purpose entities. Asset-backed commercial paper is usually backed by trade receivables, though such conduits may also fund commercial and industrial loans. Banks are typically more active as issuers of these instruments than as investors in them.

An Asset-Backed Security is created by the sale of assets or collateral to a conduit, which becomes the legal issuer of the Asset-Backed Securities. The securitization conduit or issuer is generally a bankruptcy-remote vehicle such as a grantor trust or, in the case of an asset-backed commercial paper program, a special-purpose entity. The sponsor or originator of the collateral usually establishes the issuer. Interests in the trust, which embody the right to certain cash flows arising from the underlying assets, are then sold in the form of securities to investors through an investment bank or other securities underwriter. Each Asset-Backed Security has a servicer (often the originator of the collateral) that is responsible for collecting the cash flows generated by the securitized assets—principal, interest and fees net of losses and any servicing costs as well as other expenses—and for passing them along to the investors in accordance with the terms of the securities. The servicer processes the payments and administers the borrower accounts in the pool.
The structure of an Asset-Backed Security and the terms of the investors' interests in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Often Asset-Backed Securities are structured to reallocate the risks entailed in the underlying collateral (particularly credit risk) into security tranches that match the desires of investors. For example, senior subordinated security structures give holders of senior tranches greater credit risk protection (albeit at lower yields) than holders of subordinated tranches. Under this structure, at least two classes of Asset-Backed Securities are issued, with the senior class having a priority claim on the cash flows from the underlying pool of assets. The subordinated class must absorb credit losses on the collateral before losses can be charged to the senior portion. Because the senior class has this priority claim, cash flows from the underlying pool of assets must first satisfy the requirements of the senior class. Only after these requirements have been met will the cash flows be directed to service the subordinated class.

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

Although the basic elements of all Asset-Backed Securities are similar, individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the process by which principal and interest payments are allocated and down-streamed to investors, how credit losses affect the trust and the return to investors, whether collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the asset-backed instrument) any remaining balance in the accounts may revert to the issuing company and the extent to which the company that is the actual source of the collateral assets is obligated to provide support to the trust or conduit or to the investors. Further issues may arise based on discretionary behavior of the issuer within the terms of the securitization agreement, such as voluntary buybacks from, or contributions to, the underlying pool of loans when credit losses rise. A bank or other issuer may play more than one role in the securitization process. An issuer can simultaneously serve as originator of loans, servicer, administrator of the trust, underwriter, provider of liquidity and credit enhancer. Issuers typically receive a fee for each element of the transaction they undertake. The multiplicity of roles that may be played by a single firm—within a single securitization or across a number of them—means that credit and operational risk can accumulate into significant concentrations with respect to one or a small number of firms.

There are many different varieties of Asset-Backed Securities, often customized to the terms and characteristics of the underlying collateral. The most common types are securities collateralized by mortgages and revolving credit-card receivables, but instruments backed by home equity loans, other second mortgages and automobile-finance receivables are also common.

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

Unlike closed-end installment loans, revolving credit receivables involve greater uncertainty about future cash flows. Therefore, Asset-Backed Securities structures using this type of collateral must be more complex to afford investors more comfort in predicting their repayment. Accounts included in the securitization pool may have balances that grow or decline over the life of the Asset-Backed Securities. Accordingly, at maturity of the Asset-Backed Securities, any remaining balances revert to the originator. During the term of the Asset-Backed Securities, the originator may be required to sell additional accounts to the pool to maintain a minimum dollar amount of collateral if account holders pay down their balances at greater than predetermined rates. Credit card securitizations are the most prevalent form of revolving credit Asset-Backed Securities, although home equity lines of credit are a growing source of Asset-Backed Securities collateral. Credit card securitizations are typically structured to incorporate two phases in the life cycle of the collateral: an initial phase during which the principal amount of the securities remains constant and an amortization phase during which investors are paid off. A specific period of time is assigned to each phase. Typically, a specific pool of accounts is identified in the securitization documents, and these specifications may include not only the initial pool of loans but a portfolio from which new accounts may be contributed. The dominant vehicle for issuing securities backed by credit cards is a master trust structure with a "spread account," which is funded up to a predetermined amount through "excess yield"—that is, interest and fee income less credit losses, servicing and other fees. With credit card receivables, the income from the pool of loans—even after credit losses—is generally much higher than the return paid to investors. After the spread account accumulates to its predetermined level, the excess yield reverts to the issuer. Under GAAP, issuers are required to recognize on their balance sheet an excess yield asset that is based on the fair value of the expected future excess yield; in principle, this value would be based on the net present value of the expected earnings stream from the transaction. Issuers are further required to revalue the asset periodically to take account of changes in fair value that may occur due to interest rates, actual credit losses and other factors relevant to the future stream of excess yield.

A number of banks have used a structure—a "special-purpose entity"—that is designed to acquire trade receivables and commercial loans from high-quality (often investment-grade) obligors and to fund those loans by issuing (asset-backed) commercial paper that is to be repaid from the cash flow of the receivables. Capital is contributed to the special-purpose entity by the originating bank that, together with the high quality of the underlying borrowers, is sufficient to allow the special-purpose entity to receive a high credit rating. The net result is that the special-purpose entity's cost of funding can be at or below that of the originating bank itself. The special-purpose entity is "owned" by individuals who are not formally affiliated with the bank, although the degree of separation is typically minimal. These securitization programs enable banks to arrange short-term financing support for their customers without having to extend credit directly. This structure provides borrowers with an alternative source of funding and allows banks to earn fee income for managing the programs. As the asset-backed commercial paper structure has developed, it has been used to finance a variety of underlying loans—in some cases, loans purchased from other firms rather than originated by the bank itself—and as a "remote origination" vehicle from which loans can be made directly. Like other securitization techniques, this structure allows banks to meet their customers' credit needs while incurring lower capital requirements and a smaller balance sheet than if it made the loans directly.

Issuers obtain a number of advantages from securitizing assets, including improving their capital ratios and return on assets, monetizing gains in loan value, generating fee income by providing services to the securitization conduit, closing a potential source of interest-rate risk and increasing institutional liquidity by providing access to a new source of funds. Investors are attracted by the high credit quality of Asset-Backed Securities, as well as their attractive returns.
Asset-Backed Securities carry coupons that can be fixed or floating. Pricing is typically designed to mirror the coupon characteristics of the loans being securitized. The spread will vary depending on the credit quality of the underlying collateral, the degree and nature of credit enhancement and the degree of variability in the cash flows emanating from the securitized loans.

Credit risk arises from (a) losses due to defaults by the borrowers in the underlying collateral, (b) the issuer's or servicer's failure to perform and (c) fraud. These elements can blur together as, for example, in the case of a servicer who does not provide adequate credit-review scrutiny to the serviced portfolio, leading to higher incidence of defaults. Asset-Backed Securities are rated by major rating agencies. Market risk arises from the cash-flow characteristics of the security, which for many Asset-Backed Securities tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels. Interest-rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to security holders and from the need to mark to market the excess servicing or spread account proceeds carried on the balance sheet. Liquidity risk can arise from increased perceived credit risk, like that which occurred in 1996 and 1997 with the rise in reported delinquencies and losses on securitized pools of credit cards. Liquidity can also become a major concern for asset-backed commercial paper programs if concerns about credit quality, for example, lead investors to avoid the commercial paper issued by the relevant special-purpose entity. For these cases, the securitization transaction may include a "liquidity facility," which requires the facility provider to advance funds to the relevant special-purpose entity should liquidity problems arise. To the extent that the bank originating the loans is also the provider of the liquidity facility, and that the bank is likely to experience similar market concerns if the loans it originates deteriorate, the ultimate practical value of the liquidity facility to the transaction may be questionable. Operations risk arises through the potential for misrepresentation of loan quality or terms by the originating institution, misrepresentation of the nature and current value of the assets by the servicer and inadequate controls over disbursements and receipts by the servicer.

A list of all Underlying Assets to be acquired by the Issuer on the Closing Date is set forth in Schedule A attached hereto.

"Automobile Securities" means Underlying Assets that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from installment sale loans made to finance the purchase of, or from leases of, automobiles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessors and accordingly represent a diversified pool of obligor credit risk; (3) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (4) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Car Rental Fleet Securities" means Underlying Assets that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of vehicles to car rental systems and their franchisees, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the subleases are obligations of numerous franchisees and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee or third party of the underlying vehicle; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"CDO Securities" means securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the CDO Securities) on the cash flow from a portfolio of REIT Debt Securities, Synthetic Securities, Asset-Backed Securities, Commercial Mortgage-Backed Securities, Residential Mortgage-Backed Securities, bank loan securities, domestic corporate debt securities, high-grade asset-backed securities and trust preferred securities or any combination of the
foregoing, generally having the following characteristics: (1) the securities have varying contractual maturities; (2) the securities are obligations of a relatively limited number of obligors or issuers and accordingly represent a relatively undiversified pool of obligor credit risk; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of securities bearing interest at a fixed rate, such securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional securities.

"CMBS Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (a) a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties or (b) the leasing of such properties to corporate tenants. They generally have the following characteristics: (a) the commercial mortgage loans have varying contractual maturities; (b) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof; (c) the commercial mortgage loans are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (d) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"Credit Card Securities" means Underlying Assets that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Underlying Assets) on the cash flow from balances outstanding under revolving consumer credit card accounts, generally having the following characteristics: (1) the accounts have standardized payment terms and require minimum monthly payments; (2) the balances are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk; and (3) the repayment stream on such balances does not depend upon a contractual payment schedule, with early repayment depending primarily on interest rates, availability of credit against a maximum credit limit and general economic matters.

"Equipment Lease Securities" means Underlying Assets that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Underlying Assets) on the cash flow from leases and subleases of equipment to commercial and industrial customers, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of lease term for excess usage.

"FICO Score" means the credit score developed by Fair Isaac & Co and provided by Experian (a subsidiary of GUS plc), Trans Union LLC or Equifax Inc.

"High LTV RMBS Security" means a Residential B/C Mortgage-Backed Security that depends primarily on the cash flow from subprime residential mortgage loans with loan-to-value ratios of greater than 80%.

"Mid-Prime Securities" means Residential Securities that have a FICO Score above 625 and below 700.

"Non-Subprime Home Equity Loan Asset-Backed Securities" means Underlying Assets (other than Residential B/C Mortgage-Backed Securities and Residential A Mortgage-Backed Securities) that entitle their holders to receive payments that depend primarily on the cash flow from balances (including revolving balances) outstanding under loans or lines of credit to non-subprime borrowers secured by residential real estate (single or two-or-four-family properties) the proceeds of which loans or lines of credit are not generally used to purchase such real estate or to purchase or construct dwellings thereon (or to refinance indebtedness previously used for such purchase or construction), generally having the following characteristics: (1) the balances have standardized payment terms and require minimum monthly payments; (2) the balances are obligations of numerous borrowers and
accordingly represent a diversified pool of obligor credit risk; (3) the repayment stream on such balances does not depend upon a contractual payment schedule, with early repayment depending primarily on interest rates and general economic matters; and (4) the loan or line of credit may be secured by residential real estate with a market value (determined on the date of origination of such loan or line of credit) that is less or more than the original proceeds of such loan or line of credit.

"Prime Securities" means Residential Securities that have a FICO Score equal to or above 700.

"Residential A Mortgage-Backed Securities" means Underlying Assets (other than Residential B/C Mortgage-Backed Securities and Non-Subprime Home Equity Loan Asset-Backed Securities) that entitle their holders to receive payments that depend primarily on the cash flow from prime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or two-to-four-family properties) the proceeds of which were used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have standardized payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk; (3) repayment of such securities can vary substantially from their contractual payment schedules and depends entirely upon the rate at which the mortgage loans are repaid; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium and with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling and generally no penalties for early repayment.-

"Residential B/C Mortgage-Backed Securities" means Underlying Assets (other than Residential A Mortgage-Backed Securities and Non-Subprime Home Equity Loan Asset-Backed Securities) that entitle their holders to receive payments that depend primarily on the cash flow from subprime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or two-to-four-family properties) the proceeds of which were used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have standardized payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk; (3) repayment of such securities can vary substantially from their contractual payment schedules and depends entirely upon the rate at which the mortgage loans are repaid; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium and with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling and generally no penalties for early repayment.

"Residential Securities" or "RMBS Securities" means Residential A Mortgage-Backed Securities, Residential B/C Mortgage-Backed Securities and Non-Subprime Home Equity Loan Asset-Backed Securities.

"Small Business Loan Securities" means Asset-Backed Securities (other than Franchise Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from general purpose corporate loans made to small business concerns, including but not limited to those (a) made pursuant to Section 7(a) of the United States Small Business Act, as amended, and (b) partially guaranteed by the United States Small Business Administration. Small Business Loan Securities generally have the following characteristics: (1) the loans have standardized terms; (2) the loans are obligations of a relatively limited number of borrowers and accordingly represent an undiversified pool of obligor credit risk; and (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium. For the purpose of this definition, "Franchise Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-
Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide oil, gasoline, restaurant or food services and provide other services related thereto and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

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

"Sub-Prime Securities" means Residential Securities that have a FICO Score equal to or below 625.

Underlying Assets—Synthetic Securities

The following is a description of the Synthetic Securities. The terms used in this Section "—Synthetic Securities" but not otherwise defined in this Offering Circular have the meanings set forth in the form of Confirmation attached hereto as Schedule H in the case of Reference Obligations that are RMBS Securities or in the form of Confirmation attached hereto as Schedule I in the case of Reference Obligations that are CMBS Securities. The terms of any additional Synthetic Security may vary substantially from the terms described below and in the Confirmation. Any material change to the terms of an additional Confirmation will be required to satisfy the Rating Condition.

Prior to the Closing Date, the Issuer entered into a series of credit default swaps (each a "Synthetic Security") with Lehman Brothers Special Financing Inc. (in such role, the "First Synthetic Security Counterparty"). Each Synthetic Security relates to a Reference Obligation whereby the Issuer sells credit protection to the related Synthetic Security Counterparty on such Reference Obligation. Each Synthetic Security will be entered into pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border), including the schedule thereto (the "Master Agreement"), between the Issuer and a Synthetic Security Counterparty, and a separate confirmation of transaction (a "Confirmation") evidencing the Synthetic Security thereunder. Each Confirmation may evidence several different transactions, each of which is separate and distinct from all others documented under such Confirmation and relates to an individual Reference Obligation that is an Asset-Backed Security. Terms used in this section and not defined herein or in the Confirmation attached hereto as (i) Schedule H in the case of Reference Obligations that are RMBS Securities or (ii) Schedule I in the case of Reference Obligations that are CMBS Securities will have the meanings specified in the 2003 ISDA Credit Derivatives Definitions as published by ISDA (the "Credit Derivatives Definitions").

"Reference Obligation" means any Asset-Backed Security that, as of the related trade date, satisfies the Substitution Criteria.
"Reference Obligor" means the obligor on a Reference Obligation.

On or before the August 2011 Distribution Date and only in accordance with the Substitution Criteria, the Issuer may (i) enter into additional Synthetic Securities with the First Synthetic Security Counterparty and/or (ii) enter into new Synthetic Securities with different synthetic security counterparties (together with the First Synthetic Security Counterparty, the "Synthetic Security Counterparties") made pursuant to a separate Master Agreement and Confirmation; provided that after giving effect to any such transaction, the Synthetic Security Collateral Amount equals or exceeds the Required Synthetic Security Collateral Amount. The "Required Synthetic Security Collateral Amount" equals on any date of determination, the amount on deposit in the related Synthetic Security Collateral Account, if any (including the Aggregate Principal/Notional Balance of the Eligible Investments on deposit in such account, but excluding all earnings on such Eligible Investments). The "Required Synthetic Security Collateral Amount" equals, with respect to each Synthetic Security Counterparty, on any date of determination, the Aggregate Principal/Notional Balance of all Synthetic Securities entered into with such Synthetic Security Counterparty. Each Master Agreement entered into with a Synthetic Security Counterparty shall be identical to the Master Agreement entered into between the Issuer and the First Synthetic Security Counterparty prior to closing or, if not identical, shall be approved by each other Synthetic Security Counterparty and each Rating Agency. Each Confirmation entered into with a Synthetic Security Counterparty shall be substantially similar to (x) the form of Confirmation attached hereto as Schedule H in the case of Reference Obligations that are RMBS Securities or (y) the form of Confirmation attached hereto as Schedule I in the case of Reference Obligations that are CMBS Securities or, if not substantially similar, shall be approved by each other Synthetic Security Counterparty and each Rating Agency.

Each Synthetic Security Counterparty has the right in the event of an assignment of the relevant Synthetic Security to reject any replacement for the Issuer. In deciding whether to accept or reject a replacement for the Issuer, the Synthetic Security Counterparty does not have to consider the interests of the Issuer or the Noteholders. If as of any Determination Date, the amount on deposit in the Synthetic Security Collateral Account exceeds the Required Synthetic Security Collateral Amount, such excess amount will be deposited into the Principal Collection Account and deemed to be Principal Proceeds or with respect to any substitution with an Eligible Substitute Asset, deposited into the Substituted Collateral Account in accordance with the Substitution Criteria. Under each Synthetic Security, on each Fixed Rate Payer Payment Date, the related Synthetic Security Counterparty will be obligated to pay the Fixed Amounts to the Issuer. The First Synthetic Security Counterparty will pay the Fixed Amount to the Issuer as determined by Lehman Brothers Special Financing Inc. as calculation agent (together with its permitted successors and assigns in such capacity, the "Synthetic Security Calculation Agent").

In addition, on each Fixed Rate Payer Payment Date, the related Synthetic Security Counterparty will be obligated to pay the Additional Fixed Amount, if due, to the Issuer. The Additional Fixed Amount is comprised of Interest Shortfall Reimbursement Payment Amounts, Writedown Reimbursement Payment Amounts and Principal Shortfall Reimbursement Payment Amounts.

Under each Synthetic Security, on each Floating Rate Payer Payment Date, the Issuer will be obligated to pay the applicable Floating Amounts to the related Synthetic Security Counterparty.

Each Synthetic Security Counterparty may, at its option, at any time following the occurrence of a Credit Event, physically deliver all or a portion of the underlying Reference Obligation to the Issuer (any such delivered Reference Obligation or portion thereof, a "Delivered Obligation") with an Exercise Amount not to exceed the Notional Amount of the related Synthetic Security. Upon such physical delivery of any Reference Obligation or portion thereof, the Issuer will be obligated to pay to the related Synthetic Security Counterparty an amount in cash equal to the Physical Settlement Amount. Any such Delivered Obligation will be credited to a securities account maintained with the Trustee subject to the lien of the Indenture. Upon delivery, any Delivered Obligation will be deemed to be an Underlying Asset and will have the same effect on the Substitution Criteria as the related Synthetic Security prior to the delivery and with a Principal/Notional Balance equal to its outstanding Principal/Notional Balance. "Notional Amount" of any Synthetic Security will equal the "Reference Obligation Notional Amount" as defined in such Synthetic Security.

Allocation Procedures. With respect to the Synthetic Securities, and before any disbursements are made pursuant to "Description of the Notes—Priority of Payments—Interest Proceeds" and "—Principal Proceeds" (i) Floating Payments and other amounts due under any Synthetic Security, (ii) Physical Settlement Amounts, (iii)
Principal Payment Amounts, (iv) payments of Additional Fixed Amounts and (v) termination amounts will be allocated in accordance with the “Allocation Procedures” described below and such amounts will not be applied through the Priority of Payments unless specifically set forth below:

(i) Floating Payments and other amounts due under the Synthetic Securities. If on any Business Day, Floating Payments or any other amounts are due and payable by the Issuer in accordance with the provisions of any Synthetic Security, other than Interest Shortfall Amounts and any termination payments with respect to an early termination or an event of default (the "Synthetic Security Payment Amount"), the Trustee shall, on behalf of the Issuer, and pursuant to instruction of the Issuer or Collateral Manager acting on its behalf, subject to the procedures set forth in the Indenture:

(A) withdraw from the Synthetic Security Collateral Account (including, at the Collateral Manager's discretion, by withdrawing the necessary amount from the Investment Agreement) an amount equal to the lesser of (1) the amount credited to the Synthetic Security Collateral Account and (2) the Synthetic Security Payment Amount; and

(B) if the amount withdrawn under (A) above is less than the Synthetic Security Payment Amount, withdraw from the Principal Collection Account an amount equal to the lesser of (1) the amount credited to the Principal Collection Account and (2) the Synthetic Security Payment Amount less the amounts withdrawn pursuant to clause (A) above.

The Trustee, on behalf of the Issuer, and pursuant to instruction of the Issuer or Collateral Manager acting on its behalf, shall pay such proceeds to the relevant Synthetic Security Counterparty in an amount equal to the Synthetic Security Payment Amount.

(ii) Physical Settlement Amount. If on any Business Day, the Physical Settlement Amount for any Delivered Obligation is due and payable by the Issuer to the relevant Synthetic Security Counterparty pursuant to the terms of the related Synthetic Security, the Trustee shall, on behalf of the Issuer, and pursuant to instruction of the Issuer or Collateral Manager acting on its behalf, subject to the procedures set forth in the Indenture:

(A) withdraw from the Synthetic Security Collateral Account (including, at the Collateral Manager's discretion, by withdrawing the necessary amount from the Investment Agreement) an amount equal to the lesser of (1) the amount credited to the Synthetic Security Collateral Account and (2) the Physical Settlement Amount; and

(B) if the amount withdrawn under (A) above is less than the Physical Settlement Amount, withdraw from the Principal Collection Account an amount equal to the lesser of (1) the amount credited to the Principal Collection Account and (2) the Physical Settlement Amount less the amounts withdrawn pursuant to clause (A) above.

The Trustee, on behalf of the Issuer, and pursuant to instruction of the Collateral Manager, shall pay such proceeds to the relevant Synthetic Security Counterparty in an amount equal to the Physical Settlement Amount.

(iii) Principal Payment Amount. If on any Business Day, there is a Principal Payment Amount with respect to any Reference Obligation under a Synthetic Security, the Trustee shall, on behalf of the Issuer, and pursuant to instruction of the Collateral Manager, subject to the procedures set forth in the Indenture, withdraw from the Synthetic Security Collateral Account (including, at the Collateral Manager's discretion, by withdrawing the necessary amount from the Investment Agreement), an amount equal to the lesser of (1) the amount credited to the Synthetic Security Collateral Account (including the amount that the Issuer can withdraw from the Investment Agreement) and (2) the Principal Payment Amount, and such withdrawn amounts will be deemed to be Principal Proceeds and credited to the Principal Collection Account.
(iv) Payments of Additional Fixed Amounts. If on any Business Day, the Issuer receives Additional Fixed Amounts, the Issuer shall allocate (i) any Interest Shortfall Reimbursement Payment Amount, into the Interest Collection Account as Interest Proceeds and (ii) any Writedown Reimbursement Payment Amount and any Principal Shortfall Reimbursement Payment Amount into the Synthetic Security Collateral Account.

(v) Termination or Novation of a Synthetic Security. If on any Business Day, (A)(x) there is an early termination of a Synthetic Security resulting from a termination event or an event of default pursuant to the terms of the related Synthetic Security, and (y) the Issuer is the Defaulting Party or Affected Party (as such term is defined in the related Synthetic Security) and (z) as a result of the termination of the Synthetic Security, a termination payment is due to the Synthetic Security Counterparty or (B) the Issuer novates a Synthetic Security and a payment is due to the replacement synthetic swap counterparty (such amount, the "Synthetic Security Termination/Novation Payment (Issuer)") the Trustee shall, on behalf of the Issuer, and pursuant to written instruction of the Collateral Manager, subject to the procedures set forth in the Indenture:

(A) withdraw from the Synthetic Security Collateral Account (including, at the Collateral Manager's discretion, by withdrawing the necessary amount from the Investment Agreement) an amount equal to the lesser of (1) the amount credited to the Synthetic Security Collateral Account and (2) the Synthetic Security Termination/Novation Payment (Issuer); and

(B) if the amount withdrawn under (A) above is less than the Synthetic Security Termination/Novation Payment (Issuer), withdraw from the Principal Collection Account an amount equal to the lesser of (1) the amount credited to the Principal Collection Account and (2) the Synthetic Security Termination/Novation Payment (Issuer) less the amounts withdrawn pursuant to clause (A).

The Trustee, on behalf of the Issuer, shall pay from such proceeds any amounts due to the Synthetic Security Counterparty of the related Synthetic Security (other than with respect to a termination event or event of default where the Synthetic Security Counterparty is the Defaulting Party or Affected Party (as such term is defined in the Synthetic Security)).

Floating Payments Payable by the Issuer. With respect to each Synthetic Security executed substantially in the form as shown in Schedule H or in the form as shown in Schedule I, the Issuer shall pay to the Synthetic Security Counterparty on each Floating Rate Payer Payment Date the "Floating Payment" applicable to such Synthetic Security as calculated by the Synthetic Security Calculation Agent and confirmed by the Trustee, which shall equal the related Writedown Amount, Principal Shortfall Amount or Interest Shortfall Payment Amount, as applicable.

"Writedown Amount" means, with respect to any Reference Obligation Payment Date, the product of (a) the amount of any Writedown on such date, (b) the Applicable Percentage and (c) the Reference Price.

"Principal Shortfall Amount" which means, with respect to a Failure to Pay Principal, the greater of (i) zero; and (ii) the product of (a) the Expected Principal Amount minus the Actual Principal Amount, (b) the Applicable Percentage and (c) the Reference Price. If the Principal Shortfall Amount would not be greater than the Notional Amount immediately prior to the occurrence of a Failure to Pay Principal, then the Principal Shortfall Amount shall be deemed to be equal to the Notional Amount at such time.

"Interest Shortfall Amount" means, with respect to any Reference Obligation Payment Date, an amount equal to the greater of (a) zero and (b) the product of (i) the Expected Interest Amount minus the Actual Interest Amount and (ii) the Applicable Percentage; provided that the Interest Shortfall Amount shall be subject to a "Fixed Cap" or other similar provision such that the Interest Shortfall Amount payable with respect to an interest period shall be limited to the Fixed Amount payable by the relevant Synthetic Security Counterparty.
"Expected Interest Amount" means, with respect to any Reference Obligation Payment Date, the amount of current interest that would accrue during the related Reference Obligation Calculation Period calculated using the Reference Obligation Coupon on a Principal/Notional Balance of the Reference Obligation equal to the Outstanding Principal Amount taking into account any reductions due to a principal deficiency balance or realized loss amount (however described in the Underlying Instruments) that are attributable to the Reference Obligation. Except as provided in the previous sentence, the Expected Interest Amount shall be determined without regard to (i) unpaid amounts in respect of accrued interest on prior Reference Obligation Payment Dates, or (ii) any prepayment penalties or yield maintenance provisions.

"Actual Interest Amount" means, with respect to any Reference Obligation Payment Date, payment by or on behalf of the Issuer of an amount in respect of interest due under Reference Obligation including, without limitation, any deferred interest, defaulted interest, but excluding payments in respect of prepayment penalties or principal (except that the Actual Interest Amount shall include any payment of principal representing capitalized interest) paid to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

"Reference Obligation Calculation Period" means, with respect to each Reference Obligation Payment Date, a period corresponding to the interest accrual period relating to such Reference Obligation Payment Date pursuant to the Underlying Instruments; provided, however, that in the case of the first Reference Obligation Calculation Period, such Reference Obligation Calculation Period shall commence on and include the Effective Date of such Synthetic Security.

"Floating Rate Payer Payment Date" has the meaning specified in the related Synthetic Security, but will generally mean the first Fixed Rate Payer Payment Date falling at least two Business Days after delivery of a notice by the Calculation Agent to the Synthetic Security Counterparty and the Issuer or the Synthetic Security Counterparty to the Issuer that the related Floating Amount is due.

Additional Fixed Amounts Payable by the Synthetic Security Counterparty. With respect to each Synthetic Security executed in the form as shown in Schedule H or in the form as shown in Schedule I, in addition to the Fixed Amounts, the Synthetic Security Counterparty shall pay to the Issuer "Additional Fixed Amounts" consisting of:

(a) the payment of an Actual Interest Amount that is greater than the Expected Interest Amount multiplied by the Applicable Percentage subject to the Fixed Cap (such reimbursement amount the "Interest Shortfall Reimbursement Payment Amount");

(b) the Writedown Reimbursement Amount specified by the Synthetic Security Calculation Agent in its notice to the parties or the Issuer in its notice to the Synthetic Security Counterparty of the existence of a Writedown Reimbursement (such reimbursement amount, the "Writedown Reimbursement Payment Amount"); provided that the aggregate of all Writedown Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by the Issuer in respect of Writedowns; and

(c) the Principal Shortfall Reimbursement Amount specified by the Synthetic Security Calculation Agent in its notice to the parties or the Issuer in its notice to the Synthetic Security Counterparty of the existence of a Principal Shortfall Reimbursement (such reimbursement amount, the "Principal Shortfall Reimbursement Payment Amount"); provided that the aggregate of all Principal Shortfall Reimbursement Payment Amounts at any time shall not exceed the Aggregate of all Floating Amounts paid by the Issuer in respect of occurrences of Failure to Pay Principal.

"Writedown Reimbursement" means, with respect to any day, the occurrence of either (a) a payment in respect of the Reference Obligation in reduction of any prior Writedowns or (b) (i) an increase in the Outstanding Principal Amount of the Reference Obligation to reflect the reversal of any prior Writedowns or (ii) a decrease in the principal deficiency balance or realized loss amounts (howsoever described in the Underlying Instruments) attributable to the Reference Obligation).
"Writedown Reimbursement Amount" means, with respect to any day the product of (a) the sum of all Writedown Reimbursements on that day (b) the Applicable Percentage and (c) the Reference Price.

"Principal Shortfall Reimbursement Amount" means, with respect to any Reference Obligation Payment Date, the product of (a) the amount of any Principal Shortfall Reimbursement, (b) the Applicable Percentage and (c) the Reference Price.

"Principal Shortfall Reimbursement" means, with respect to any Reference Obligation Payment Date, the payment of an amount in respect of the Reference Obligation in or toward the satisfaction of any deferral of or failure to pay principal arising from one or more prior occurrences of a Failure to Pay Principal.

Credit Events. "Credit Event" means, solely with respect to Reference Obligations that are RMBS Securities, with respect to any Reference Obligation, the occurrence of a:

(i) "Failure to Pay Principal", means (i) a failure by the Reference Entity (or any Insurer) to pay an Expected Principal Amount on the Final Amortization Date or the Legal Final Maturity Date, as the case may be or (ii) payment on any such day of an Actual Principal Amount that is less than the Expected Principal Amount; provided that the failure by the Reference Entity (or any Insurer) to pay any such amount in respect of principal in accordance with the foregoing shall not constitute a Failure to Pay Principal if such failure has been remedied within any grace period applicable to such payment obligation under the Underlying Instruments or, if no such grace period is applicable, within three Business Days after the day on which the Expected Principal Amount was scheduled to be paid;

(ii) "Writedown", means the occurrence at any time on or after the Effective Date of: (i) (A) a writedown or applied loss (however described in the Underlying Instruments) resulting in a reduction in the Outstanding Principal Amount (other than as a result of a scheduled or unscheduled payment of principal); or (B) the attribution of a principal deficiency or realized loss (howsoever described in the Underlying Instruments) to the Reference Obligation resulting in a reduction of the current interest payable on the Reference Obligation; or (ii) the forgiveness of any amount of principal by the holders of the Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the Outstanding Principal Amount;

(iii) "Distressed Ratings Downgrade", which means that the Reference Obligation, on any date of determination:

(a) if publicly rated by Moody's,

(i) is downgraded to "Caa2" or below by Moody's or

(ii) has the rating assigned to it by Moody's withdrawn and, in each case, not reinstated within five (5) Business Days of such downgrade or withdrawal; provided, if such Reference Obligation was assigned a public rating of "Baa3" or higher by Moody's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "Caa1" by Moody's within three (3) calendar months of such withdrawal; or

(b) if publicly rated by Standard & Poor's,

(i) is downgraded to "CCC" or below by Standard & Poor's or

(ii) has the rating assigned to it by Standard & Poor's withdrawn and, in each case, not reinstated within five (5) Business Days of such downgrade or withdrawal; provided, if such Reference Obligation was assigned a public rating of "BBB-" or
higher by Standard & Poor's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Standard & Poor's within three (3) calendar months of such withdrawal; or

(c) if publicly rated by Fitch Ratings Inc. ("Fitch"),

(i) is downgraded to "CCC" or below by Fitch or

(ii) has the rating assigned to it by Fitch withdrawn and, in each case, not reinstated within five (5) Business Days of such downgrade or withdrawal; provided, however, if such Reference Obligation was assigned a public rating of "BBB-" or higher by Fitch immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Fitch within three (3) calendar months of such withdrawal.

Downgrade of the Synthetic Security Counterparties. If a Synthetic Security Counterparty or its guarantor fails to maintain certain rating levels described in the Schedule to the ISDA Master Agreement, such Synthetic Security Counterparty may be required to post collateral, obtain a guaranty from a guarantor with the required rating, or assign its rights and obligations under each related Synthetic Security to a replacement synthetic security counterparty satisfying the ratings requirements specified by each of the Rating Agencies for the synthetic security counterparty and, if the Synthetic Security Counterparty does not, within thirty (30) days of such failure (or where the Synthetic Security Counterparty fails to maintain certain lower rating levels described in the Schedule to the ISDA Master Agreement, it does not, within 10 days of such failure) take such action, the Issuer will be permitted to terminate each such Synthetic Security.

If and to the extent that the Synthetic Security Counterparty posts collateral to secure its obligations under the related Synthetic Security due to failure to maintain certain rating levels described in the Schedule to the ISDA Master Agreement, the Trustee shall establish a Synthetic Security Issuer Account. The Trustee shall credit to the Synthetic Security Issuer Account all amounts that are required to secure the obligations of the Synthetic Security Counterparty. Except for investment earnings, the Synthetic Security Counterparty shall not have any legal, equitable or beneficial interest in the related Synthetic Security Issuer Account other than in accordance with the Indenture, the applicable Synthetic Security and applicable law.

Governing Law. Each Synthetic Security will state that it will be governed by, and will be construed in accordance with, the laws of the State of New York without regard to any conflicts of laws principle. Each of the Issuer and the Synthetic Security Counterparty will be required to submit to the jurisdiction of the New York courts in connection with each Synthetic Security, and the Issuer is expected to appoint CT Corporation System to accept service of process on its behalf.

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

The Collateral Quality Tests

The Collateral Quality Tests will be used solely to establish that the characteristics of the Issuer's portfolio on the Closing Date satisfy certain threshold levels. The "Collateral Quality Tests" are the Standard & Poor's Minimum Weighted Average Recovery Rate Test, the Moody's Asset Correlation Test, the Moody's Minimum Weighted Average Recovery Rate Test, the Moody's Weighted Average Rating Factor Test, the Weighted Average Coupon Test and the Weighted Average Spread Test described below.

Measurement of the degree of compliance with the Collateral Quality Tests will be required on the Closing Date. For purposes of the Weighted Average Coupon Test and Weighted Average Spread Test, a Synthetic Security will be included as an Underlying Asset having the characteristics of the Synthetic Security and not of the related
Reference Obligation. A failure by the Issuer to satisfy a Collateral Quality Test will not result in an Event of Default under the Indenture.

Ratings of Underlying Assets. The "Standard & Poor's Rating" of any Underlying Asset will be determined as described on Schedule C hereto. The "Moody's Rating" of any Underlying Asset will be determined as described on Schedule D hereto.

Standard & Poor's Minimum Weighted Average Recovery Rate Test. The "Standard & Poor's Minimum Weighted Average Recovery Rate Test" will be satisfied on the Closing Date if the Standard & Poor's Weighted Average Recovery Rate is greater than or equal to (a) with respect to the Class A-1 Notes, 30.0%, (b) with respect to the Class A-2 Notes, 30.0%, (c), with respect to the Class B Notes, 35.0%, (d) with respect to the Class C Notes, 40.5%, (e) with respect to the Class D Notes, 47.5% and (f) with respect to the Class E Notes, 54.0%.

The "Standard & Poor's Weighted Average Recovery Rate" is the number obtained by summing the products obtained by multiplying the Principal/Notional Balance of each Underlying Asset by its Standard & Poor's Applicable Recovery Rate, dividing such sum by the Aggregate Principal/Notional Balance of all such Underlying Assets, multiplying the result by 100 and rounding up to the first decimal place. The "Standard & Poor's Applicable Recovery Rate" means, with respect to any Underlying Asset, an amount equal to the percentage for such Underlying Asset (which shall mean with respect to a Synthetic Security, the related Reference Obligation) set forth in the Standard & Poor's Recovery Matrix attached as Schedule E in (a) the applicable table, (b) the row in such table opposite the Standard & Poor's Rating of such Underlying Asset as of the date of issuance of such Underlying Asset and (c)(i) for purposes of determining the Standard & Poor's Recovery Rate, the column in such table below the current rating of the respective Class of Notes or (ii) for purposes of determining the Calculation Amount, the column in such table below the current rating of the most senior Class of Notes outstanding.

Standard & Poor's CDO Evaluator. The "Standard & Poor's CDO Evaluator" means the dynamic, analytical computer model developed by Standard & Poor's and used to estimate default risk of Underlying Assets and provided to the Collateral Manager and the Trustee on or before the Closing Date, as it may be modified by Standard & Poor's from time to time and provided to the Collateral Manager and the Trustee following the Closing Date.

Moody's Asset Correlation Test. The "Moody's Asset Correlation Test" means a test which is satisfied if the Moody's Correlation Factor is equal to or less than 19.5%; provided that a single-obligation Synthetic Security will be included as an Asset-Backed Security having the characteristics of the related Reference Obligation (and the issuer thereof will be deemed to be the related Reference Obligor and not the Synthetic Security Counterparty). For the purpose of this test, the number of assets is 90.

Moody's Correlation Factor" as of the Closing Date, is 18.6%.

Moody's Minimum Weighted Average Recovery Rate Test. The "Moody's Minimum Weighted Average Recovery Rate Test" will be satisfied as of the Closing Date if the Moody's Weighted Average Recovery Rate is greater than or equal to 23.5%.

The "Moody's Weighted Average Recovery Rate" is the number obtained by summing the products obtained by multiplying the Principal/Notional Balance of each Underlying Asset (excluding any Defaulted Security) by its applicable recovery rate (determined for purposes of this definition in accordance with Schedule F), dividing such sum by the Aggregate Principal/Notional Balance of all such Underlying Assets, multiplying the result by 100 and rounding up to the first decimal place.

Moody's Weighted Average Rating Factor Test. The "Moody's Weighted Average Rating Factor Test" will be satisfied as of the Closing Date if the Moody's Weighted Average Rating Factor of the Underlying Assets is equal to a numerical value of not more than 650.
The "Moody's Weighted Average Rating Factor" is the number determined by dividing:

(a) the summation of the series of products obtained for any Underlying Asset that is not a Defaulted Security, by multiplying (i) the Principal/Notional Balance of each such Underlying Asset by (ii) its respective Moody's Rating Factor, by

(b) the sum of the Aggregate Principal/Notional Balance of all Underlying Assets that are not Defaulted Securities.

Weighted Average Coupon Test. The "Weighted Average Coupon Test" will be satisfied on the Closing Date if the Weighted Average Coupon is greater than or equal to 4.90%.

The "Weighted Average Coupon" is the number (rounded up to the next 0.01%) obtained by (i) summing the products obtained by multiplying (A) the current interest rate on each Underlying Asset that is a Fixed Rate Security (excluding all Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) by (B) the Principal/Notional Balance of each such Underlying Asset and (ii) dividing such sum by the Aggregate Principal/Notional Balance of all Underlying Assets that are Fixed Rate Securities (excluding all Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds).

Aggregate WAC Change Test. The "Aggregate WAC Change Test" will be satisfied on any date an Eligible Substitute Asset is purchased if, (i) such date occurs before August 17, 2007 and if the Aggregate WAC Change is negative, the absolute value of the Aggregate WAC Change does not exceed 0.05%, and (ii) if such date occurs on or after August 17, 2007 and if the Aggregate WAC Change for the previous twelve months is negative, the absolute value of the Aggregate WAC Change does not exceed 0.05%.

On each date an Eligible Substitute Asset is purchased by the Issuer, the Collateral Manager will calculate any positive or negative change in the Weighted Average Coupon due to the purchase of such Eligible Substitute Asset (a "WAC Change"). The Collateral Manager shall calculate the "Aggregate WAC Change" by adding each positive WAC Change or subtracting each negative WAC Change.

Weighted Average Spread Test. The "Weighted Average Spread Test" will be satisfied as of the Closing Date if the Weighted Average Spread is greater than or equal to 1.80%.

The "Weighted Average Spread" is the number (rounded up to the next 0.01%) obtained by (a) summing the products obtained by multiplying (i) the spread above the floating rate index at which interest accrues on each Underlying Asset that is a Floating Rate Security or the Fixed Amount applicable to a Synthetic Security (in each case, other than a Defaulted Security, Written Down Security or Deferred Interest PIK Bond) as of such date by (ii) the Principal/Notional Balance of such Underlying Asset as of such date, and (b) dividing such sum by the Aggregate Principal/Notional Balance of all Underlying Assets that are Floating Rate Securities (excluding all Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds).

Aggregate WAS Change Test. The "Aggregate WAS Change Test" will be satisfied on any date an Eligible Substitute Asset is purchased if, (i) such date occurs before August 17, 2007 and if the Aggregate WAS Change is negative, the absolute value of the Aggregate WAS Change does not exceed 0.05%, and (ii) if such date occurs on or after August 17, 2007 and if the Aggregate WAS Change for the previous twelve months is negative, the absolute value of the Aggregate WAS Change does not exceed 0.05%.

On each date an Eligible Substitute Asset is purchased by the Issuer, the Collateral Manager will calculate any positive or negative change in the Weighted Average Spread due to the purchase of such Eligible Substitute Asset (a "WAS Change"). The Collateral Manager shall calculate the "Aggregate WAS Change" by adding each positive WAS Change or subtracting each negative WAS Change.
Disposition of Underlying Assets

The Underlying Assets may be retired prior to their respective final maturities due to, among other things, the existence and frequency of exercise of any optional or mandatory redemption features of such Underlying Assets. For the purpose of this section:

(i) "dispose" means with respect to means with respect to (a) an Underlying Asset other than a Synthetic Security, the disposition of such Underlying Asset and (b) a Synthetic Security (together with the related Reference Obligation) the assignment or termination of such Synthetic Security;

(ii) "writing" or "written" shall include electronic mail;

(iii) the determination by the Collateral Manager that a Synthetic Security is an Equity Security, Credit Risk Obligation, Withholding Security, Written Down Security or Defaulted Security, will be made with respect to its related Reference Obligation; and

(iv) as set forth in each Master Agreement, the Issuer will be required to obtain the prior written approval from the related Synthetic Security Counterparty of any assignment of a Synthetic Security to a replacement counterparty.

The Issuer will not sell or otherwise dispose of any Underlying Asset, except that:

(a) the Collateral Manager will at its sole discretion, direct the Trustee to dispose of any Underlying Asset held by the Issuer that is or becomes an Equity Security, Credit Risk Obligation, Withholding Security, Written Down Security or Defaulted Security;

(b) any Equity Security must be disposed of within one year after receipt (or within one year of such later date as such security may first be sold in accordance with its terms and applicable law); provided that any Equity Security that is "margin stock" or that does not comply with paragraphs (h) through (k) of the definition of Asset-Backed Security must be disposed of within five Business Days after the Issuer's receipt thereof (or within five Business Days of such later date as such security may first be sold in accordance with its terms);

(c) in the event of an Auction Call Redemption, Optional Redemption, Clean-Up Call Redemption or Tax Redemption of the Notes, the Issuer will dispose of Underlying Assets without regard to the foregoing limitations; provided that (i) the proceeds therefrom together with the balance of the cash and Eligible Investments in the Accounts (other than that in the Interest Rate Swap Counterparty Collateral Account and the Synthetic Security Issuer Account) will be at least sufficient to pay certain expenses and other amounts and redeem in whole but not in part all Notes to be redeemed simultaneously at the applicable Redemption Price; and (ii) such proceeds are used to make such a redemption. See "Description of the Notes—Auction Call Redemption," "—Optional Redemption", "—Clean-Up Call Redemption" and "—Tax Redemption;"

(d) the Collateral Manager may, at its sole discretion, direct the Trustee to dispose of any Underlying Asset other than an Equity Security, Credit Risk Obligation, Withholding Security, Written Down Security or Defaulted Security; provided that the Aggregate Principal/Notional Balance of any such Underlying Assets disposed of pursuant to this clause (d) during the period beginning on the Closing Date and ending on December 31, 2006 or any period beginning on January 1 of each year beginning in 2007 and ending on December 31 of such year does not exceed 20% of the Aggregate Principal/Notional Balance of all Underlying Assets as of the first day of such period;

(e) on or before the August 2011 Distribution Date and provided that the Class A/B Overcollateralization Test is in compliance on the relevant Measurement Date, the Collateral Manager may, at its sole discretion, direct the Trustee, in writing, to dispose of any Underlying Asset and the Trustee shall deposit or cause to be deposited the proceeds of such disposition (the
"Substituted Collateral Proceeds") into the Substituted Collateral Account. The Collateral Manager may direct the Trustee to apply the amount on deposit in the Substituted Collateral Account to pay the purchase price of Eligible Substitute Assets identified by the Collateral Manager; provided that, after giving effect to such sale and the subsequent purchase, the Aggregate Principal/Notional Balance of all Eligible Substitute Assets purchased since the Closing Date shall not exceed 30% of the Net Outstanding Underlying Asset Balance as of the Closing Date; provided further that so long as (a) the Moody's rating of the Class A Notes or Class B Notes is one or more subcategories below its Initial Rating, (b) the Moody's rating of the Class C Notes, the Class D Notes or the Class E Notes is two or more subcategories below its Initial Rating or (c), so long as any Note is Outstanding, the Moody's rating of any Class of Notes has been withdrawn and not reinstated, the Collateral Manager will not be permitted to dispose of Underlying Assets pursuant to this clause (e) unless the holders of a majority in aggregate outstanding principal amount of the Controlling Class has waived such restriction; and

(f) the Issuer will seek to dispose of each Defaulted Security (other than any Underlying Asset that is a Defaulted Security solely because it is rated "CC" or lower or "D" or "SD" by Standard & Poor's) in a commercially reasonable manner and no later than the date (the "Two Year Date") that is two years after such Underlying Asset became a Defaulted Security (or within two years of such later date as such Underlying Asset may first be sold in accordance with its terms and applicable law); provided that the Two Year Date for any PIK Bond that becomes a Defaulted Security in accordance with clause (e) of the definition of Defaulted Security shall occur on the day that is two years from the date on which there has been a failure to pay interest in an amount equal to or exceeding the amount of interest due in one payment period.

Any disposition of an Underlying Asset will be conducted (a) on an "arm's-length basis" for a price that, in the judgment of the Collateral Manager, is fair and reasonable and, in the case of a Defaulted Security or Written Down Security, not materially less than the fair market value thereof as determined in accordance with the Indenture, (b) in accordance with the requirements of the Management Agreement and the Indenture and (c) in the case of any such purchase or sale effected with the Collateral Manager, the Issuer, the Trustee or any of their respective affiliates, in a secondary market transaction on terms at least as favorable to the Issuer and the Noteholders as would be the case if such person were not so affiliated. The Trustee shall have no responsibility to oversee compliance with the above conditions by the other parties.

An Underlying Asset will be a "Credit Risk Obligation" (a) during any period which is not a Restricted Trading Period, its rating has been downgraded, qualified or withdrawn by Standard & Poor's, Moody's or Fitch or has been put on "negative credit watch" or similar status for possible downgrading, qualification or withdrawal from the ratings that were in place as of the date the Issuer purchased such Underlying Asset or if (i) in the reasonable business judgment of the Collateral Manager (which judgment shall not be called into question as a result of subsequent events), has a significant risk of declining in credit quality or, over time, becoming a Defaulted Security or (ii) it is deferring interest or is a Written Down Security; or (b) during any period which is a Restricted Trading Period, (i) its rating has been downgraded, qualified or withdrawn by Standard & Poor's, Moody's or Fitch or has been put on "negative credit watch" or similar status for possible downgrading, qualification or withdrawal from the ratings that were in place as of the date the Issuer purchased such Underlying Asset, (ii) has experienced an increase in credit spread over the applicable U.S. Treasury Benchmark, the applicable swap benchmark or the applicable LIBOR by (x) 0.40% or more if the original credit spread (as of the date on which such Underlying Asset was first included in the portfolio) was greater than 1.50% or (y) 0.20% if the original credit spread (as of the date on which such Underlying Asset was first included in the portfolio) was less than or equal to 1.50%, or (iii) it is deferring interest or is a Written Down Security.

"Restricted Trading Period" means each day during which (a) the Moody’s rating of the Class A Notes or Class B Notes is one or more subcategories below its Initial Rating, or (b) the Moody’s rating of the Class C Notes, the Class D Notes or the Class E Notes is two or more sub-categories below its Initial Rating; unless the holders of a majority in aggregate outstanding principal amount of the Controlling Class has directed the Issuer to waive the Restricted Trading Period (which waiver may be rescinded by the Controlling Class at any time that such rating requirement is not satisfied).
"Initial Rating" means (i) with respect to the Class A-1 Notes and the Class A-2 Notes, "Aaa" by Moody’s and "AAA" by Standard & Poor’s, (ii) with respect to the Class B Notes, "Aa2" by Moody’s and "AA" by Standard & Poor’s, (iii) with respect to the Class C Notes, "A2" by Moody’s and "A" by Standard & Poor’s; (iv) with respect to the Class D Notes, "Baa2" by Moody’s and "BBB" by Standard & Poor’s, and (v) with respect to the Class E Notes, "Ba2" by Moody's and "BB" by Standard & Poor's.

"Equity Security" means any equity security which is acquired by the Issuer as a result of the exercise or conversion of an Underlying Asset, in conjunction with the purchase of an Underlying Asset or in exchange for a Defaulted Security and which does not entitle the holder thereof to receive periodic payments of interest and one or more installments of principal.

An Underlying Asset will be a "Withholding Security" if the related trustee or paying agent informs the Issuer, Trustee or Collateral Manager that it intends to withhold, or actually does withhold from payment on such Underlying Asset, amounts in respect of withholding taxes.

Notwithstanding anything to the contrary set forth in this section "—Dispositions of Underlying Assets," the Issuer will have the right to effect any transaction that has been consented to by holders of Notes evidencing 100% of the aggregate outstanding principal amount of each Class of Notes and by each Preference Shareholder and of which each Rating Agency has been notified.
## Closing Date Portfolio

The portfolio of Underlying Assets acquired (or committed to be acquired for settlement in accordance with customary settlement procedures in the relevant markets) by the Issuer on or prior to the Closing Date has the following characteristics (as of August 15, 2006):

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate Principal/Notional Balance</td>
<td>U.S.$700,106,212</td>
</tr>
<tr>
<td>Fixed Rate Securities</td>
<td>6.45% of the Net Outstanding Underlying Asset Balance</td>
</tr>
<tr>
<td>Floating Rate Securities</td>
<td>93.55% of the Net Outstanding Underlying Asset Balance</td>
</tr>
</tbody>
</table>
| Top Issue Concentration                          | (a) AMSI 2005-R9 is approximately 2.38%  
(b) AMSI 2005-R5 is approximately 2.32%  
(c) FFML 2006-FF4 is approximately 2.04%  
(d) ARSI 2005-W2 is approximately 2.00%  
(e) GSAMP 2006-HE3 is approximately 1.93% |
| Top Servicer Concentration                       | (a) Wells Fargo is approximately 14.97%  
(b) Ameriquest is approximately 10.22%  
(c) National City is approximately 7.24% |
| Standard & Poor's Weighted Average Recovery Rate | (a) with respect to the Class A-1 Notes, 32.6%  
(b) with respect to the Class A-2 Notes, 32.6%  
(c) with respect to the Class B Notes, 37.4%  
(d) with respect to the Class C Notes, 43.0%  
(e) with respect to the Class D Notes, 50.1%  
(f) with respect to the Class E Notes, 56.7% |
| Weighted Average Coupon                          | 5.68%                                      |
| Weighted Average Spread                          | 1.88%                                      |
| Moody's Correlation Factor                       | 18.6%                                      |
| Moody's Weighted Average Recovery Rate           | 24.9%                                      |
| Moody's Weighted Average Rating Factor           | 644                                        |

No Underlying Asset may be acquired after the Closing Date unless (i) such Underlying Asset is the subject of a binding commitment entered into by or on behalf the Issuer on or prior to the Closing Date or (ii) such Underlying Asset is an Eligible Substitute Asset.

The Issuer may not acquire any Underlying Asset unless such acquisition is made on an "arm's-length basis" for fair market value.
Substitution of Underlying Assets

On or before the August 2011 Distribution Date subject to the restrictions described under "—Disposition of Underlying Assets", the Collateral Manager, on behalf of the Issuer, may direct the Trustee in writing to dispose of, and the Trustee will so dispose of in the manner so directed by the Collateral Manager in writing, any Underlying Asset and deposit the proceeds of such sale (the "Substituted Collateral Proceeds") into the Substituted Collateral Account. The Substituted Collateral Proceeds shall be: (i) used to acquire one or more Eligible Substitute Assets within 10 Business Days from the date of deposit into the Substituted Collateral Account; provided that the Collateral Manager shall only give direction to the Trustee if, after giving effect to such disposition and the subsequent acquisition, the Aggregate Principal/Notional Balance of all Eligible Substitute Assets purchased by the Collateral Manager, on behalf of the Issuer, from the Closing Date shall not exceed 30% of the Net Outstanding Underlying Asset Balance as of the Closing Date; and provided further that, after such purchase, such Eligible Substitute Assets will be deemed to be Underlying Assets; or (ii) after 10 Business Days from the date of deposit into the Substituted Collateral Account, if not used to purchase Eligible Substitute Assets, designated as Principal Proceeds for distribution on the then following Distribution Date.

"Eligible Substitute Asset" means any Underlying Asset (which shall mean with respect to a Synthetic Security, the related Reference Obligation):

(i) which is an RMBS Security or an Other ABS Security;

(ii) that is not deferring interest and has not capitalized interest that has not been paid in full;

(iii) that has a Principal/Notional Balance at least equal to that of the Underlying Asset designated for replacement by the Collateral Manager at the time of sale; provided that if two or more Eligible Substitute Assets are acquired with the disposition proceeds of the Underlying Asset designated for replacement by the Collateral Manager, the Aggregate Principal/Notional Balance of such Eligible Substitute Assets shall be at least equal to the Principal/Notional Balance of the Underlying Asset designated for replacement at the time of sale;

(iv) that has an Average Life that is equal to or shorter than that of the Underlying Asset designated by the Collateral Manager for replacement;

(v) whose obligor or issuer is incorporated or organized under the laws of the United States;

(vi) that has a Moody’s Rating and Standard & Poor’s Rating greater than or equal to that of the Underlying Asset designated for replacement at the time such Underlying Asset was purchased by the Issuer; and

(vii) that satisfies the Substitution Criteria.

"Average Life" means on any Measurement Date on or after the Closing Date with respect to any Underlying Asset (provided, that with respect to any Synthetic Security, such determination will be made with respect to the related Reference Obligation), the quotient obtained by dividing (i) the sum of the products of (a) the number of years (rounded to the nearest one tenth thereof) from such Measurement Date to the respective dates of each successive scheduled distribution of principal of such Underlying Asset (other than a Defaulted Security or Deferred Interest PIK Bond) (assuming that (A) no collateral defaults or is sold except those that have already defaulted or been sold, (B) prepayment of any Underlying Asset during any month occurs (x) with respect to an Underlying Asset issued no more than six months prior to such Measurement Date, at the rate of prepayment assumed at the time of issuance of such Underlying Asset and (y) with respect to an Underlying Asset issued more than six months prior to such Measurement Date, at the average rate of prepayment observed over the six months immediately preceding such Measurement Date based on available transaction reporting data (and if such data is unavailable, at the assumed constant prepayment rate or prepayment curve set out in the offering document for such Underlying Asset, as determined by the Collateral Manager in its reasonable business judgment), (C) any clean up call, auction call or similar redemption (but not optional redemption) of the Underlying Asset occurs in accordance
with the terms of the relevant Underlying Asset and (D) no optional redemption occurs, and (b) the respective amounts of principal of such scheduled distributions by (ii) the sum of all successive scheduled distributions of principal on such Underlying Asset (other than a Defaulted Security or Deferred Interest PIK Bond).

"Other ABS Security" means a CMBS Security, a Credit Card Security, or a Student Loan Security.

"dispose" means with respect to means with respect to (a) an Underlying Asset other than a Synthetic Security, the disposition of such Underlying Asset and (b) a Synthetic Security (together with the related Reference Obligation) the assignment or termination of such Synthetic Security;

"writing" or "written" shall include electronic mail.

For each of the criteria set forth below, compliance with such criterion shall be measured after giving effect to the disposition of an Underlying Asset and the corresponding acquisition of an Eligible Substitute Asset (each disposition and acquisition, a "Substitution"); provided that if prior to giving effect to the disposition relating to a Substitution, any of the criteria (other than paragraphs (i), (ii) and (v) below) is not met, the degree of compliance with such criterion shall not be diminished after giving effect to a Substitution (collectively, the "Substitution Criteria"): 

(i) after giving effect to a Substitution, the Aggregate Principal/Notional Balance of the acquired Eligible Substitute Assets with a Moody’s Rating or a Standard & Poor's Rating of below "Baa3" or "BBB-", respectively, shall not exceed 10% of the Net Outstanding Underlying Asset Balance as of the Closing Date; 

(ii) after giving effect to a Substitution, the percentages of Underlying Assets that are RMBS Securities and CMBS Securities, respectively, shall not be reduced; 

(iii) after giving effect to a Substitution, the Aggregate Principal/Notional Balance of all Underlying Assets that are Synthetic Securities shall not exceed 40% of the Net Outstanding Underlying Asset Balance; 

(iv) after giving effect to a Substitution, the Aggregate Principal/Notional Balance of all Underlying Assets that are Fixed Rate Securities shall not exceed 10% of the Net Outstanding Underlying Asset Balance; 

(v) after giving effect to a Substitution, the number of issuers of Underlying Assets shall not be reduced; 

(vi) after giving effect to a Substitution, the Moody’s Asset Correlation Test shall be satisfied; 

(vii) after giving effect to a Substitution, the Aggregate WAC Change Test shall be satisfied; 

(viii) after giving effect to a Substitution, the Aggregate WAS Change Test shall be satisfied; 

(ix) after giving effect to a Substitution, the Moody’s Minimum Weighted Average Recovery Rate Test shall be satisfied; 

(x) after giving effect to a Substitution, the Standard & Poor’s Minimum Weighted Average Recovery Rate Test shall be satisfied; 

(xi) after giving effect to a Substitution, the Aggregate Principal/Notional Balance of all Underlying Assets issued by the issuer of such Eligible Substitute Asset shall not exceed 3.00% of the Net Outstanding Underlying Asset Balance; provided that the Aggregate Principal/Notional Balance of all Underlying Assets issued by two such issuers shall not exceed 3.50% of the Net Outstanding Underlying Asset Balance; provided further that the Aggregate Principal/Notional Balance of
Underlying Assets that have a Moody's Rating of "Ba1" or below or are rated "BB+" or below by Standard & Poor's (if rated by Standard & Poor's) and issued by any one issuer shall not exceed 2.75% of the Net Outstanding Underlying Asset Balance; provided further that the Aggregate Principal/Notional Balance of all Underlying Assets issued by two such issuers shall not exceed 3.25% of the Net Outstanding Underlying Asset Balance; and

(xii) with respect to the Servicers of the Underlying Asset being acquired, after giving effect to a Substitution, the Aggregate Principal/Notional Balance of all Underlying Assets serviced by one single Servicer does not exceed:

(a) 15% of the Aggregate Principal/Notional Balance of all Underlying Assets, if such Servicer is rated "AA-" or higher (if rated by Standard & Poor's) or "Strong" (if ranked by Standard & Poor's);

(b) 10% of the Aggregate Principal/Notional Balance of all Underlying Assets, if such Servicer is rated "A-" or higher (if rated by Standard & Poor's) or "Above Average" or higher (if ranked by Standard & Poor's) and does not meet the ratings requirements of clause (a) above;

(c) 7.5% of the Aggregate Principal/Notional Balance of all Underlying Assets, if such Servicer is rated "BB+" or higher (if rated by Standard & Poor's) or "Average" or higher (if ranked by Standard & Poor's) and does not meet the ratings requirements of clause (a) or clause (b) above; and

(d) 6% of the Aggregate Principal/Notional Balance of all Underlying Assets, if such Servicer does not meet the rating requirements of clause (a), clause (b) or clause (c) above;

provided that Wells Fargo or its Affiliates may constitute up to 20%, Countrywide Home Loans Inc. or its Affiliates may constitute up to 15%, Ameriquest Mortgage Company or its Affiliates may constitute up to 15% and National City Home Loan Services or its Affiliates may constitute up to 12.5% of the Aggregate Principal/Notional Balance of all Underlying Assets; and

(xiii) the legal final maturity of such Underlying Asset is no later than the Stated Maturity; provided that up to 10% of the Aggregate Principal/Notional Balance of the Underlying Assets may have a legal final maturity after the Stated Maturity but in no event shall (A) the legal final maturity of any Underlying Asset occur later than five years after the Stated Maturity of the Notes or (B) the expected maturity of any Underlying Asset occur later than the Stated Maturity of the Notes; and

(xiv) after giving effect to a Substitution, the Aggregate Principal/Notional Balance of all Underlying Assets that are PIK Bonds shall not exceed 10% of the Net Outstanding Underlying Asset Balance; and

(xv) after giving effect to a Substitution, the Aggregate Principal/Notional Balance of all Underlying Assets with negative amortization features shall not exceed 5% of the Net Outstanding Underlying Asset Balance; and

(xvi) after giving effect to a Substitution, the Aggregate Principal/Notional Balance of all Underlying Assets that provide for the periodic payment of interest less frequently than quarterly shall not exceed 5% of the Net Outstanding Underlying Asset Balance and the Aggregate Principal/Notional Balance of all Underlying Assets that provide for the periodic payment of interest less frequently than semi-annually shall not exceed 0% of the Net Outstanding Underlying Asset Balance; and
(xvii) after giving effect to a Substitution, the Aggregate Principal/Notional Balance of all Underlying Assets issued in transactions managed by the Collateral Manager shall not exceed 2% of the Net Outstanding Underlying Asset Balance and provided that such Underlying Assets shall only be acquired in secondary market transactions.

The Interest Rate Swap Agreement

On the Closing Date, the Issuer will enter into ISDA Master Agreements pursuant to which the Issuer will enter into an interest rate swap entered into in accordance with the Indenture (such interest rate swap, together with any replacement therefor or additional swap agreement entered into in accordance with the Indenture, the "Interest Rate Swap Agreement") with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (together with its successors, the "Interest Rate Swap Counterparty"). The address of the Interest Rate Swap Counterparty is 18, P.O. 17100, 3500 HG, Utrecht, Netherlands. The Interest Rate Swap Agreement will provide that the Issuer will pay to the Interest Rate Swap Counterparty on each related Distribution Date interest at a fixed rate on a specified notional amount, in exchange for which the Interest Rate Swap Counterparty will pay to the Issuer interest on such notional amount at a rate equal to three-month LIBOR for the related calculation period. The Interest Rate Swap Counterparty will satisfy the ratings requirements specified by each of the Rating Agencies for the Interest Rate Swap Counterparty.

The Interest Rate Swap Agreement will provide that, for each Distribution Date prior to the termination of the Interest Rate Swap Agreement, the Interest Rate Swap Counterparty will pay to the Issuer a quarterly floating amount equal to the product of:

- the three-month LIBOR rate for the relevant quarterly calculation period;
- the specified hedge notional amount for the relevant quarterly calculation period; and
- the quotient of the actual number of days in that period divided by 360.

In exchange for the floating amounts due from the Interest Rate Swap Counterparty, and subject to the payment netting provisions of the Interest Rate Swap Agreement, the Issuer will pay to the Interest Rate Swap Counterparty, for each Distribution Date prior to the termination of the Interest Rate Swap Agreement, a quarterly fixed amount equal to the product of:

- fixed swap rate for the relevant quarterly calculation period;
- the specified swap notional amount for the relevant quarterly calculation period; and
- the quotient of 30 over 360, calculated quarterly, adjusted.

The Interest Rate Swap will expire after the August 2010 Distribution Date. Pursuant to the Priority of Payments, scheduled payments required to be made by the Issuer under the Interest Rate Swap Agreement, together with any termination payments payable by the Issuer other than by reason of an event of default with respect to the Interest Rate Swap Counterparty or termination event where the Interest Rate Swap Counterparty is the "defaulting party" or the sole "affected party," will be payable pursuant to clause (3) under "Description of the Notes—Priority of Payments—Interest Proceeds" and, if Interest Proceeds are insufficient to pay such amounts in full, from Principal Proceeds pursuant to clause (1) under "Description of the Notes—Priority of Payments—Principal Proceeds." The Interest Rate Swap Agreement will be governed by New York law.

If the Interest Rate Swap Counterparty or its guarantor fails to maintain certain rating levels described in the Indenture and the Interest Rate Swap Agreement, the Interest Rate Swap Counterparty may be required to post collateral or assign its rights and obligations under the Interest Rate Swap Agreement to a replacement Interest Rate Swap Counterparty and, if the Interest Rate Swap Counterparty does not take such action as required under the Interest Rate Swap Agreement, the Issuer will be permitted to terminate the Interest Rate Swap Agreement. See
"Risk Factors—Interest Rate Risk" for a discussion of certain considerations with respect to the Interest Rate Swap Agreement.

The Collateral Manager will have a limited role in connection with decisions relating to the Interest Rate Swap Agreement. Pursuant to the Indenture, the Issuer may not reduce the notional amount of under the Interest Rate Swap Agreement. However, on any date (each such date, a "Collateral Imbalance Date") on which the Net Outstanding Underlying Asset Balance is less than the notional amount of the Interest Rate Swap Agreement, the Interest Rate Swap Counterparty to the Interest Rate Swap Agreement will designate an early termination date with respect to the portion of the notional amount of each hedging transaction so affected; provided, however, that the Rating Condition must be satisfied with respect to any such early termination date. In addition, the Issuer may enter into a replacement Interest Rate Swap Agreement upon termination of an Interest Rate Swap Agreement or enter into additional Interest Rate Swap Agreements with the advice of the Collateral Manager only (a) if the Rating Conditions are satisfied and (b) with respect to any additional Interest Rate Swap Agreement, the Interest Rate Swap Counterparty consents to such additional Interest Rate Swap Agreement.

The Interest Rate Swap Counterparty may terminate the Interest Rate Swap Agreement with the Issuer in limited circumstances whether or not the Notes have been paid in full prior to such termination, including in the event of (a) a failure by the Issuer to make, when due, any payment under the Interest Rate Swap Agreement within the applicable grace period; (b) certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization of the Issuer; (c) a change in law making it illegal for either the Issuer or the Interest Rate Swap Counterparty to be a party to, or perform an obligation under, the Interest Rate Swap Agreement; (d) an Event of Default under the Indenture followed by a liquidation of Collateral on the Accelerated Maturity Date; and (e) the occurrence of a Clean-up Call Redemption, Optional Redemption, Tax Redemption, or Auction Call Redemption. With respect to such terminations, any amounts payable upon the termination of the Interest Rate Swap Agreement will be based upon standard replacement transaction valuation methodology set forth in the 1992 ISDA Master Agreement published by ISDA. In addition, the Issuer will not agree, without satisfaction of the Rating Condition solely with respect to Standard & Poor’s, to any amendment, modification, or waiver of any provision of the Interest Rate Swap Agreement.

The obligations of the Issuer under the Interest Rate Swap Agreement are limited recourse obligations payable solely from the Collateral pursuant to the Priority of Payments.

The Initial Investment Agreement

The information appearing under "Security for the Notes—The Initial Investment Agreement" with respect to the Initial Investment Agreement Provider has been derived from a description thereof provided by the Initial Investment Agreement Provider. The Initial Investment Agreement Provider has reviewed such information, but such information has not been independently verified by the Co-Issuers, the Collateral Manager, the Initial Purchasers, the Interest Rate Swap Counterparty or the Synthetic Security Counterparty.

Amounts on deposit in the Synthetic Security Collateral Account may be invested in Eligible Investments and will initially be invested under an investment agreement, dated as of the Closing Date (such agreement, the "Initial Investment Agreement," and amounts so invested, the "Investment"), among the Issuer, the Trustee and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., as investment agreement provider (in such capacity, the "Initial Investment Agreement Provider"). On the Closing Date, funds in an amount of approximately $237,000,000 are expected to be invested as Investments.

Pursuant to the Initial Investment Agreement, the Initial Investment Agreement Provider will be required to pay interest until the Initial Investment Agreement is terminated or terminates by its terms at a floating rate per annum equal to three-month LIBOR minus 0.07% on the amounts invested thereunder. Interest on the Investment will accrue over each Interest Period and will be payable on the Business Day immediately prior to the Distribution Dates, commencing in November 2006.

On any Business Day of each month, subject to applicable notice requirements specified in the Initial Investment Agreement, the Trustee may make a withdrawal from the Initial Investment Agreement in order to make payments as described under Allocation Procedures.
On or immediately prior to the Final Maturity Date, the Trustee (acting pursuant to the Indenture on behalf of the Issuer) will have the right to demand payment in full under the Initial Investment Agreement (if it is then in effect). On the Final Maturity Date of the Notes, all net proceeds from such liquidation and all available cash will be distributed in accordance with the priority of distribution provisions described herein.

The Trustee, subject to the Indenture, will upon the occurrence of an event of default under the Initial Investment Agreement, take actions to enforce the rights of the Issuer under the Initial Investment Agreement and to obtain payment to the Trustee of all amounts due thereunder to the extent required or directed to do so in accordance with the Indenture.

In the event that the financial strength ratings of the Initial Investment Agreement Provider are downgraded below certain thresholds specified in the Initial Investment Agreement, the Initial Investment Agreement Provider is required to perform one or more of the following actions: (i) post collateral of the kind and in the amount and form to the satisfaction of the Rating Condition, or (ii) transfer the Initial Investment Agreement to an entity approved by the Collateral Manager and satisfying the rating requirements (as specified in the Initial Investment Agreement). If within ten Business Days of a ratings event which it may remedy by (i) above or, within 30 days of a ratings event which it may remedy by (ii) above, the Initial Investment Agreement Provider does not remedy the situation by satisfying the relevant requirements of one or more of clause (i) or (ii) above, then the Initial Investment Agreement Provider will pay the entire balance of the Investment, together with all accrued, unpaid interest to the Trustee. Upon any such payment in full, the Initial Investment Agreement shall terminate.

Events of default under the Initial Investment Agreement include a failure by the Initial Investment Agreement Provider to make any payment when due pursuant to the Initial Investment Agreement, certain bankruptcy and insolvency events with respect to the Initial Investment Agreement Provider, a failure by the Initial Investment Agreement Provider to perform, in any material respect, any of its other obligations under the Initial Investment Agreement which continues for at least ten Business Days after receipt of notice thereof.

Upon the occurrence of an event of default under the Initial Investment Agreement, the Trustee, the Issuer and the Collateral Manager will have the right to declare the entire balance of the Investment and all accrued and unpaid interest to be due and payable immediately and to withdraw such entire balance and unpaid interest. If, as a result of the occurrence of an event of default, the entire balance of the Investment and all unpaid interest are so withdrawn by the Trustee, the Initial Investment Agreement will be terminated on the date of such withdrawal. If an event of default occurs under the Initial Investment Agreement and the Initial Investment Agreement is terminated, any amounts withdrawn by the Issuer in connection therewith may be reinvested in Eligible Investments.

If there is a withdrawal of the funds, then a breakage fee may be payable and the gross amount of interest or principal due may be paid net of the breakage fee.

The Initial Investment Agreement Provider. The Initial Investment Agreement is being provided by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. or the “Initial Investment Agreement Provider”). Except for the information contained under this subheading, the Initial Investment Agreement Provider has not been involved in the preparation of, and does not accept responsibility for this Offering Circular.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (“Rabobank”), generally known as “Rabobank Nederland” and/or “Rabobank International”, is a cooperative banking organization incorporated in The Netherlands, and acts as the central coordinating bank for the “Rabobank Group”. The Rabobank Group consists of Rabobank Nederland and certain subsidiaries and, as of December 31, 2005, 248 local banks which are cooperative companies incorporated in The Netherlands. The Rabobank Group is covered by a mutual guarantee which, with the approval of the Dutch authorities, permits a consolidated presentation of financial results. As of the date of this Offering Circular, Rabobank Nederland is rated “Aaa” by Moody’s, “AAA” by S&P and “AA+” by Fitch. Rabobank Nederland/Rabobank International engages in a wide variety of commercial banking and related financial services in The Netherlands and internationally.

Rabobank International, acting through its New York Branch will act as the Initial Investment Agreement Provider. The branch is licensed by the New York State Superintendent of Banks and authorized to exercise substantially the same rights and privileges that are available to New York State-chartered banks at the same
location, subject in general to the same duties, restrictions, reporting requirements, penalties, liabilities, conditions and limitations that apply to New York State-chartered banks at the same location. The offices of Rabobank International New York Branch are located at 245 Park Avenue, New York, New York 10167.

As of December 31, 2005, based on International Financial Reporting Standards as adopted by the EU (the “IFRS”), the Rabobank Group had total assets of € 506.2 billion. The IFRS differs in certain material respects from generally accepted accounting principles applied by United States banks. As used herein, “€” means the lawful currency of the member states of the European Monetary Union.

Rabobank International will provide without charge to each person to whom this Offering Circular is delivered, on the request of any such person, a copy of the Rabobank Group’s most recent Annual Report. Written requests should be directed to Rabobank International, New York Branch, 245 Park Avenue, New York, New York 10167, Attention: Treasury.

Rabobank International is required to file annual reports on Form F.R. Y-7 with the Federal Reserve Bank of New York that include information relating to the financial condition of Rabobank International as a whole and that of the United States banking activities of Rabobank International. The non-confidential portions of such annual reports are available to the public upon request from the Federal Reserve Bank of New York.

The information contained under this heading “The Initial Investment Agreement Provider” relates to and has been obtained from the Rabobank Nederland. Delivery of this Offering Circular shall not create any implication that there has been no change in the affairs of Rabobank Nederland since the date set forth in this Offering Circular, or that the information contained or referred to under this heading is correct as of the time subsequent to the date set forth in this Offering Circular.

The Accounts

Collection Accounts

All distributions on the Underlying Assets and any proceeds received from the disposition of any such Underlying Assets, to the extent such distributions or proceeds constitute Interest Proceeds, excluding in any case the Substituted Collateral Proceeds, and any amounts payable to the Issuer by the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement (other than amounts received by the Issuer by reason of an event of default or termination event thereunder) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the “Interest Collection Account”). All distributions on the Underlying Assets and any proceeds received from the disposition of any such Underlying Assets to the extent such distributions or proceeds constitute Principal Proceeds (excluding in any case the Substituted Collateral Proceeds) and all other Principal Proceeds (unless simultaneously reinvested in Eligible Investments) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the “Principal Collection Account” and, together with the Interest Collection Account, the “Collection Accounts”). The Collection Accounts shall be maintained for the benefit of the Noteholders and amounts on deposit therein will be available, together with reinvestment earnings thereon, for application in the order of priority set forth above under "Description of the Notes—Priority of Payments."

Amounts received in the Collection Accounts during a Due Period will be invested in Eligible Investments (as described below) with stated maturities no later than the Business Day immediately preceding the next Distribution Date. All such proceeds will be retained in the Collection Accounts unless used as otherwise permitted under the Indenture.

"Eligible Investments" include any Dollar-denominated investment that is not a Prohibited Asset and is one or more of the following (and may include investments for which the Trustee and/or its affiliates provides services):
(a) cash;

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

(c) demand and time deposits in, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or Federal funds sold by any depository institution or trust company incorporated under the laws of the United States or any state thereof and subject to supervision and examination by Federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of not less than "Aa2" by Moody's, and if so rated, such rating is not on watch for downgrade by Moody's, "AA+" by Standard & Poor's and "AA+" by Fitch Ratings ("Fitch") (if rated by Fitch) in the case of long-term debt obligations, or "P-1" by Moody's, and if so rated, such rating is not on watch for downgrade by Moody's, "A-1+" by Standard & Poor's and "F1+" by Fitch (if rated by Fitch) in the case of commercial paper and short-term debt obligations; provided that (i) in each case, the issuer thereof must have at the time of such investment or contractual commitment providing for such investment a long-term credit rating of not less than "Aa2" by Moody's, and if so rated, such rating is not on watch for downgrade by Moody's, and "AA+" by Fitch (if rated by Fitch) and (ii) in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment or contractual commitment providing for such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and "AA+" by Fitch (if rated by Fitch);

(d) unleveraged repurchase obligations (if treated as debt for tax purposes by the issuer) with respect to (i) any security described in clause (b) above or (ii) any other Registered security issued or guaranteed by an agency or instrumentality of the United States (in each case without regard to the stated maturity of such security), in either case entered into with a U.S. Federal or state depository institution or trust company (acting as principal) described in clause (c) above or entered into with a corporation (acting as principal) whose long-term rating at the time of such investment or contractual commitment providing for such investment is not less than "Aa2" by Moody's, and if so rated, such rating is not on watch for downgrade by Moody's, "AA+" by Standard & Poor's and "AA+" by Fitch (if rated by Fitch) or whose short-term credit rating at the time of such investment or contractual commitment providing for such investment is "P-1" by Moody's, and if so rated, such rating is not on watch for downgrade by Moody's, "A-1+" by Standard & Poor's and "F1+" by Fitch (if rated by Fitch) at the time of such investment or contractual commitment providing for such investment; provided that (i) in each case, the issuer thereof must have at the time of such investment or contractual commitment providing for such investment a long-term credit rating of not less than "Aa2" by Moody's, and if so rated, such rating is not on watch for downgrade by Moody's, and "AA+" by Fitch (if rated by Fitch) and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment or contractual commitment providing for such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and not less than "AA+" by Fitch (if rated by Fitch);

(e) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that have a credit rating at the time of such investment or contractual commitment providing for such investment of not less than "Aa2" by Moody's, and if so rated, such rating is not on watch for downgrade by Moody's, and "AA+" by Fitch (if rated by Fitch) and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment or contractual commitment providing for such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and "AA+" by Fitch (if rated by Fitch);

(f) commercial paper or other short-term obligations with a maturity of not more than 183 days from the date of issuance and having at the time of such investment or contractual commitment
providing for such investment a credit rating of "A-1+" by Standard & Poor's and "F1+" by Fitch (if rated by Fitch); provided that (i) in each case, the issuer thereof must have at the time of such investment or contractual commitment providing for such investment a long-term credit rating of not less than "Aa2" by Moody's, and if so rated, such rating is not on watch for downgrade by Moody's, and "AA+" by Fitch (if rated by Fitch) and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment or contractual commitment providing for such investment a long-term credit rating of not less than "AA" by Standard & Poor's and not less than "AA+" by Fitch (if rated by Fitch);

(g) reinvestment agreements issued by any bank (if treated as a deposit by such bank), or a Registered reinvestment agreement issued by any insurance company or other corporation or entity organized under the laws of the United States or any state thereof (if treated as debt for tax purposes by the issuer), in each case, that has a credit rating of not less than "P-1" by Moody's, and if so rated, such rating is not on watch for downgrade by Moody's, "A-1+" by Standard & Poor's and "F1+" by Fitch (if rated by Fitch); provided that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's, and if so rated, such rating is not on watch for downgrade by Moody's, and "AA+" by Fitch (if rated by Fitch) and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA" by Standard & Poor's and not less than "AA+" by Fitch (if rated by Fitch);

(h) any money market fund or similar investment vehicle having at the time of investment therein the highest credit rating assigned by each of the Rating Agencies; provided that (i) such fund or vehicle is formed outside the United States and is not engaged in a United States trade or business, (ii) no income to be received from such fund or vehicle is or will be subject to deduction or withholding for or on account of any withholding or similar tax, and (iii) the ownership of an interest in such fund or vehicle will not subject the Issuer to net income tax in any jurisdiction;

(i) any guaranteed investment contract, asset swap, funding agreement, investment agreement or other similar agreement from, or a note or a certificate backed by any guaranteed investment contract, funding agreement, investment agreement or other similar agreement from, a bank, insurance company or other corporation or entity and has a long-term unsecured obligation rating of at least "AA-" by Standard & Poor's and at least "Aa3" by Moody's; and

(j) any other security the acquisition of which satisfies the Rating Condition and the ownership of which will not subject the Issuer to income tax on a net income basis for U.S. Federal income tax purposes;

and, in each case (other than clause (a) or (i) or (j)), with a stated maturity (giving effect to any applicable grace period) no later than the Business Day immediately preceding the Distribution Date immediately following the Due Period in which the date of investment occurs; provided that Eligible Investments may not include (i) any security that does not provide for the repayment of a stated fixed amount of principal in one or more installments, any interest-only security, any security purchased at a price in excess of 100% of the par value thereof or any security whose repayment is subject to substantial non-credit related risk as determined in the reasonable business judgment of the Collateral Manager, (ii) any Floating Rate Security whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index plus a spread, (iii) any security subject to withholding tax in any jurisdiction or (iv) any security that is subject to an Offer and has not been called for redemption. Notwithstanding the foregoing, Eligible Investments will not include PIK Bonds, CMBS Securities, RMBS Securities, margin stock, securities that do not provide for the periodic payment of interest or which are zero coupon bonds and any security with a rating from Standard & Poor's which includes the subscript "p," "pi," "q," "r" or "t." The Trustee or its Affiliates are permitted to receive additional compensation that could be deemed to be in the Trustee's economic self-interest for (x) serving as investment advisor, administrator, shareholder, servicing agent, custodian or sub-custodian with respect to certain of the Eligible Investments, (y) using Affiliates to effect transactions in certain Eligible Investments and (z) effecting transactions in certain Eligible Investments; provided, however, that such compensation shall not be an amount that is reimbursable or payable by
the Issuer or otherwise pursuant to the Indenture. For the avoidance of doubt, an Eligible Investment is not an Underlying Asset.

**Payment Account**

On or prior to the Business Day prior to each Distribution Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Payment Account") for the benefit of the Secured Parties all funds in the Collection Accounts (other than amounts received after the end of the Due Period with respect to such Distribution Date) required for payments to Noteholders and payments of fees and expenses in accordance with the priority described under "Description of the Notes—Priority of Payments." In addition, any Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Determination Date preceding the First Distribution Date, will be transferred to the Payment Account and treated as Principal Proceeds on the First Distribution Date and distributed in accordance with the Priority of Payments.

**Expense Account**

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Issuers (including, without limitation, the legal fees and expenses of counsel to the Issuers, the Initial Purchasers and the Collateral Manager) and the expenses of offering the Notes, at least U.S.$150,000 from the proceeds of the offering of the Notes will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Account"). All funds on deposit in the Expense Account will be invested in Eligible Investments. Amounts standing to the credit of the Expense Account may be used to pay administrative expenses (including indemnities) and organization fees of the Issuers on any day other than a Distribution Date (other than fees of the Trustee, but including other amounts payable by the Issuer to the Collateral Manager under the Management Agreement or the Indenture). Amounts credited to the Expense Account will be (a) applied on or prior to the Determination Date preceding the First Distribution Date to pay amounts due in connection with the offering of the Notes and Preference Shares and (b) on the First Distribution Date, to the extent that the balance of the Expense Account exceeds U.S.$150,000 on the related Determination Date, transferred to the Payment Account and applied as Interest Proceeds. After the Closing Date, additional amounts may be credited to the Expense Account on any Distribution Date as described under "Description of the Notes—Priority of Payments."

**Uninvested Proceeds Account**

On the Closing Date, the Trustee will deposit the net proceeds (if any) from the issuance and sale of the Notes and Preference Shares plus any principal collections on the Underlying Assets received on or prior to the Closing Date that, on the Closing Date, are not invested in Underlying Assets, not deposited in the Collection Accounts and not deposited in the Expense Account into a single, segregated account established and maintained by the Trustee under the Indenture (the "Uninvested Proceeds Account"). At the direction of the Collateral Manager, amounts (if any) standing to the credit of the Uninvested Proceeds Account will be used to acquire Underlying Assets and Eligible Investments, which Eligible Investments shall be in overnight deposits. Investment earnings on Eligible Investments in the Uninvested Proceeds Account will be transferred to the Interest Collection Account and treated as Interest Proceeds on the First Distribution Date. In addition, any Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Determination Date preceding the First Distribution Date will be transferred to the Payment Account and treated as Principal Proceeds on the First Distribution Date and distributed in accordance with the Priority of Payments.

**Substituted Collateral Account**

All Substituted Collateral Proceeds will be deposited into a single, segregated account established and maintained by the Trustee under the Indenture (the "Substituted Collateral Account") and (i) either used to purchase one or more Eligible Substitute Assets within 10 Business Days from the date of deposit into the Substituted Collateral Account (provided that the Collateral Manager shall only give direction to the Trustee if, after giving effect to such sale and the subsequent purchase, the Aggregate Principal/Notional Balance of all Eligible Substitute Assets purchased by the Collateral Manager, on behalf of the Issuer, from the Closing Date shall not exceed 30% of the Net Outstanding Underlying Asset Balance as of the Closing Date and that the Substitution Criteria have been satisfied; and provided further that after such purchase, such Eligible Substitute Assets will be
deemed to be Underlying Assets); or (ii) after 10 Business Days from the date of deposit into the Substituted Collateral Account, if not used to purchase Eligible Substitute Assets, transferred to the Principal Collection Account and designated as Principal Proceeds and on the following Distribution Date distributed in accordance with the Priority of Payments. In no event shall Substituted Collateral Proceeds be designated as Interest Proceeds.

Preference Share Payment Account

On each Distribution Date, the Trustee, in accordance with the Priority of Payments, will transfer to the Preference Share Paying Agent the amounts (if any) for deposit to a segregated account (the "Preference Share Payment Account") established and maintained by the Preference Share Paying Agent pursuant to the Preference Share Paying Agency Agreement. The Preference Share Payment Account and any sums standing to the credit thereof shall not form part of the Collateral.

Synthetic Security Collateral Account

The Trustee will establish a segregated trust account (the "Synthetic Security Collateral Account"), that will be maintained by the Trustee as entitlement holder in respect of each Synthetic Security Counterparty and over which the Trustee will have exclusive control and the sole right of withdrawal in accordance with the Synthetic Securities and the Indenture. As directed by the Collateral Manager, the Trustee will, on the Closing Date, deposit into the relevant Synthetic Security Collateral Account all cash and Eligible Investments that are required to secure the obligations of the Issuer in accordance with the terms of the Synthetic Securities. The Synthetic Security Collateral Account shall remain at all times with a financial institution having a long-term debt rating of at least "BBB+" by Standard & Poor's, at least "Baa1" by Moody's, and at least "BBB+" by Fitch and a combined capital and surplus in excess of $200,000,000.

As directed by the Collateral Manager in writing, cash on deposit in any Synthetic Security Collateral Account will be invested in Eligible Investments. Interest payments on Eligible Investments credited to any Synthetic Security Collateral Account will be applied, as directed by the Collateral Manager, to the payment of any periodic amounts owed by the Issuer to the related Synthetic Security Counterparty on the date any such amounts are due. After application of any such amounts, any remaining interest payments then contained in the related Synthetic Security Collateral Account will be withdrawn from such account and deposited in the Collection Account for distribution as Interest Proceeds. Cash and Eligible Investments on deposit in any Synthetic Security Collateral Account will be included in the Collateral to the extent provided under "Security for the Notes—General" herein, will not be available to make payments under the Notes and shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests or the Coverage Tests, but the Synthetic Securities that relate to the Synthetic Security Collateral Account shall be considered an asset of the Issuer.

In the event a Synthetic Security is terminated prior to its scheduled maturity, the Collateral Manager on behalf of the Issuer shall cause such portion of the collateral in the related Synthetic Security Collateral Account that (subject to the Allocation Procedures) is available for making partial or full termination payment owed, if any, to the related Synthetic Security Counterparty to be delivered to such Synthetic Security Counterparty, and the remaining collateral for such terminated Synthetic Security in the related Synthetic Security Collateral Account (to the extent not required to be pledged to the related Synthetic Security Counterparty) shall be released from the lien of the related Synthetic Security Counterparty and granted to the Trustee free of such lien. Any cash received upon the maturity or liquidation of any such collateral in the related Synthetic Security Collateral Account released from the lien of the relevant Synthetic Security Counterparty shall be credited to the Substituted Collateral Account or deemed to be Principal Proceeds and credited to the Principal Collection Account.

Upon the occurrence of a "credit event" under a Synthetic Security, at the direction of the Collateral Manager, the related collateral in the related Synthetic Security Collateral Account will be delivered to the related Synthetic Security Counterparty, to the extent required, upon delivery of a Delivered Obligation. In the event a "credit event" has occurred and the Issuer is required to liquidate such collateral in the related Synthetic Security Collateral Account and deliver cash to the relevant Synthetic Security Counterparty, the Issuer will bear any market risk on the liquidation of the collateral in such Synthetic Security Collateral Account.
Amounts contained in any Synthetic Security Collateral Account shall be withdrawn by the Trustee and applied toward the payment of any amounts payable by the Issuer to the related Synthetic Security Counterparty in accordance with the terms of the Indenture and the related Synthetic Security, as directed by the Collateral Manager in writing. Any Excess Collateral Account Amount shall be withdrawn from any Synthetic Security Collateral Account and deposited in the Principal Collection Account or Substituted Collateral Account for application as Principal Proceeds or acquisition of Eligible Substitute Assets (if applicable) in accordance with the terms of the Indenture; provided that to the extent that any such withdrawal from such Synthetic Security Collateral Account would require a withdrawal from the Initial Investment Agreement, such withdrawal may only be made in accordance with the terms of the Initial Investment Agreement. "Excess Collateral Account Amount" means the excess of (i) the related Synthetic Security Collateral Amount over (ii) the related Required Synthetic Security Collateral Amount.

**Synthetic Security Issuer Accounts**

If and to the extent that any Synthetic Security requires a Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Trustee will establish a segregated trust account, held in the name of the Trustee (each such account, a "Synthetic Security Issuer Account"). The Trustee shall deposit into each Synthetic Security Issuer Account all amounts that are required to secure the obligations of the Synthetic Security Counterparty in accordance with the terms of such Synthetic Security. Except for investment earnings, a Synthetic Security Counterparty shall not have any legal, equitable or beneficial interest in any Synthetic Security Issuer Account other than in accordance with the Indenture, the applicable Synthetic Security and applicable law. The Synthetic Security Issuer Accounts shall remain at all times with a financial institution having a long-term debt rating of at least "BBB+" by Standard & Poor's, at least "Baa1" by Moody's, and at least "BBB+" by Fitch and a combined capital and surplus in excess of $200,000,000.

As directed by the Collateral Manager in writing and in accordance with the applicable Synthetic Security, cash on deposit in a Synthetic Security Issuer Account on behalf of the Issuer shall be invested in Eligible Investments. Income received on amounts on deposit in the Synthetic Security Issuer Account may be withdrawn from such account and paid to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security.

Cash and Eligible Investments on deposit in each Synthetic Security Issuer Account will not be included in the Collateral and will not be available to make payments under the Notes other than as required under the related Synthetic Security. Amounts contained in any Synthetic Security Issuer Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests or the Coverage Tests, but the Synthetic Security or Synthetic Securities that relate to such Synthetic Security Issuer Account shall be so considered an asset of the Issuer.

With respect to any obligation by the Synthetic Security Counterparty for payment under any Synthetic Security, amounts contained in the related Synthetic Security Issuer Account shall, as directed by the Collateral Manager in writing, be withdrawn by the Trustee and applied to the payment of such obligation payable by the related Synthetic Security Counterparty to the Issuer. Any excess amounts held in a Synthetic Security Issuer Account after payment of all amounts owing from the related Synthetic Security Counterparty to the Issuer shall be withdrawn from such Synthetic Security Issuer Account and paid to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security.
THE ISSUERS

General

The Issuer was incorporated as an exempted company with limited liability and registered on May 30, 2006 in the Cayman Islands with registered number 168312, is in good standing under the laws of the Cayman Islands and has an indefinite existence. The Issuer has been established as a special purpose vehicle for the purpose of issuing the Notes. The registered office of the Issuer is at the offices of Maples Finance Limited, P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. The Issuer's telephone number is +1(345) 945-7100. The Issuer has no prior operating experience other than in connection with the acquisition of certain Underlying Assets prior to the issuance of the Notes and the Preference Shares and the engagement of the Collateral Manager and the entering into of arrangements with respect thereto, and the Issuer will not have any substantial assets other than the Collateral pledged to secure, among other things, the Notes and the Issuer's obligations to the Trustee, the Collateral Manager, the Interest Rate Swap Counterparty and the Synthetic Security Counterparty. Clause 3 of the Issuer Charter sets out the objects of the Issuer, which include the business to be carried out by the Issuer in connection with the Notes. As at the Closing Date, the entire authorized shares of the Issuer will consist of (a) 250 ordinary shares, par value U.S.$1.00 each (all of which will be issued and held in trust for charitable purposes by Maples Finance Limited, a licensed trust company incorporated in the Cayman Islands (in such capacity, the "Share Trustee"), under the terms of a declaration of trust) and (b) 36,750 Preference Shares, par value U.S.$0.01, all of which will be issued at a liquidation preference of U.S.$1,000 each.

The Co-Issuer was incorporated on July 28, 2006 under the law of the State of Delaware with an organizational number 4197645 and its registered office is c/o Donald Puglisi, 850 Library Avenue, Suite 204, Newark, Delaware 19711. The sole director and officer of the Co-Issuer is Donald Puglisi, and he may be contacted at the principal office of the Co-Issuer listed on the last page of this Offering Circular. The Co-Issuer's telephone number is +1(302) 738-6680. The Co-Issuer has no prior operating experience. The Co-Issuer has been established as a special purpose vehicle for the purpose of issuing the Notes. It will not have any assets (other than its U.S.$1,000 of share capital owned by the Issuer) and will not pledge any assets to secure the Notes. The third clause of the Co-Issuer's certificate of incorporation sets out the objects of the Co-Issuer, which include the business to be carried out by the Co-Issuer in connection with the Notes. The Co-Issuer will not have any interest in the Underlying Assets or other assets held by the Issuer.

The Notes are obligations only of the Issuers, and none of the Notes are obligations of the Trustee, the Share Trustee, the Administrator, the Collateral Manager, the Initial Purchasers or any of their respective affiliates or any directors or officers of the Issuers.

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

The Administrator will be subject to the overview of the Board of Directors of the Issuer. The directors of the Issuer are Wendy Ebans and Carlos Farjallah, each of whom is a director or officer and an employee of the Administrator and each of whose offices are at P.O. Box 1984 GT, Elizabethan Square, George Town, Grand Cayman, Cayman Islands. The Administration Agreement may be terminated by the Issuer or the Administrator upon 14 days' notice following the occurrence of certain events. In addition, the Administration Agreement may be terminated upon three months' notice (subject to the appointment of a replacement administrator).

The Administrator's principal office is at P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.
Capitalization and Indebtedness of the Issuer and the Co-Issuer

The initial capitalization and indebtedness of the Issuer as of the Closing Date, after giving effect to the issuance of the Notes, the Preference Shares and the ordinary shares of the Issuer but before deducting expenses of the offering of the Notes and of the placement of the Preference Shares and organizational expenses of the Issuers, is expected to be as follows:

- **Class A-1 Notes**: U.S.$446,250,000
- **Class A-2 Notes**: U.S.$78,750,000
- **Class B Notes**: U.S.$66,500,000
- **Class C Notes**: U.S.$26,000,000
- **Class D Notes**: U.S.$35,250,000
- **Class E Notes**: U.S.$10,500,000
- **Total Debt**: U.S.$663,250,000

Ordinary Shares 250

Preference Shares U.S.$36,750,000

**Total Equity**: U.S.$36,750,250

**Total Capitalization**: U.S.$700,000,250

As of the Closing Date and after giving effect to the issuance of the Preference Shares, the issued share capital of the Issuer will be 250 ordinary shares, par value U.S.$1.00 per share, and 36,750 Preference Shares, par value U.S.$0.01 per share and with a liquidation preference of U.S.$1,000 per share.

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

The Co-Issuer will be capitalized only to the extent of its U.S.$250 of share capital, will have no assets other than its share capital and will have no debt other than as Co-Issuer of the Notes. As of the Closing Date and after giving effect to the issuance of the Co-Issuer's shares, the authorized and issued share capital of the Co-Issuer will be 250 shares of common stock, par value U.S.$1.00 per share.

Business

The Indenture and the Issuer Charter provide that the activities of the Issuer are limited to (a) investment in Underlying Assets and Eligible Investments and substitution of Underlying Assets, (b) the entering into, and the performance of its obligations under, the Indenture, the Interest Rate Swap Agreement, the Synthetic Securities, any Investment Agreement, the Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Note Purchase Agreement, the Subscription Agreements and the Preference Share Paying Agency Agreement, (c) the issuance and sale of the Notes and Preference Shares, (d) the pledge of the Collateral as security for its obligations in respect of the Notes and its obligations to the other Secured Parties, (e) ownership of the Co-Issuer and (f) other activities incidental to the foregoing. The Issuer has no employees and no subsidiaries other than the Co-Issuer. The Co-Issuer will not undertake any business other than the issuance of the Notes.

The Issuer is not required by Cayman Islands law, and the Issuer does not intend, to publish annual reports and accounts. The Co-Issuer is not required by Delaware law, and the Co-Issuer does not intend, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide the Trustee, on an annual basis, with a
certificate reviewing the activities of the Issuer and of the Issuer's performance during the preceding year and stating that, to the best of the certifying officer's knowledge, the Issuer has fulfilled all of its obligations under the Indenture or, if there has been a default, specifying such default, the nature and status thereof and any actions undertaken to remedy such default.
THE COLLATERAL MANAGER

The information appearing in this section (other than the information contained under the heading "General") has been prepared by the Collateral Manager and has not been independently verified by the Issuers or the Initial Purchasers. Neither the Issuers nor the Initial Purchasers assumes any responsibility for the accuracy, completeness or applicability of such information. Accordingly, the Collateral Manager assumes sole responsibility for the accuracy, completeness or applicability of such information.

General

Certain administrative and advisory functions with respect to the Collateral will be performed by the Collateral Manager under the Management Agreement to be entered into between the Issuer and the Collateral Manager (the "Management Agreement"). The Collateral Manager will, pursuant to the terms of the Management Agreement, select, monitor and provide the Issuer with certain information relating to, the portfolio of Underlying Assets, may act as the Auction Agent, direct the disposition certain Underlying Assets, including any Credit Risk Obligation, Defaulted Security, Withholding Security or Written Down Security, or instruct the Trustee with respect to the purchase of Eligible Substitute Assets and investment in Eligible Investments as further set forth herein.

The Collateral Manager is also permitted to dispose of any Underlying Asset other than an Equity Security, Credit Risk Obligation, Defaulted Security, Withholding Security or Written Down Security; provided that, for any given calendar year, the aggregate principal balance of any such Underlying Assets disposed of does not exceed 20% of the aggregate principal balance of all Underlying Assets.

The Collateral Manager is permitted under limited circumstances specified in the Indenture to dispose of the Underlying Assets.

All acquisitions and dispositions of Eligible Investments and Underlying Assets, and all dispositions of Equity Securities, by the Collateral Manager on behalf of the Issuer shall be conducted in compliance with all applicable laws. The Collateral Manager shall cause any acquisition or disposition of any Underlying Asset or Eligible Investment, and the sale of any Equity Security, to be conducted on an arm's-length basis or as provided in the Indenture with respect to a redemption of the Notes and/or Preference Shares.

One or more Affiliates of the Collateral Manager will acquire all of the Class E Notes and the Preference Shares on the Closing Date. In addition, the Management Agreement will provide that the Collateral Manager shall notify the Trustee or the Preference Share Paying Agent, as applicable, upon the sale or transfer by the Collateral Manager of any Preference Shares to a person that is not an Affiliate of the Collateral Manager, and the Trustee shall deliver notice of such transfer to the holders of the Notes (to the extent such Notes remain outstanding). The Collateral Manager and its Affiliates may at times own Notes. At any given time, the Collateral Manager and its Affiliates will not be entitled to vote the Collateral Manager Securities with respect to any assignment or termination of any of the express rights or obligations of the Collateral Manager under the Management Agreement or the Indenture (including the exercise of any rights to remove the Collateral Manager or terminate the Management Agreement), or any amendment or other modification of the Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager. However, at any given time the Collateral Manager and its Affiliates will be entitled to vote the Notes and Preference Shares held by them with respect to all other matters. See "Risk Factors—Certain Conflicts of Interest."

HBK Investments L.P.

HBK Investments L.P., a Delaware limited partnership ("HBK"), will act as Collateral Manager to the Issuer (in such capacity, together with any successor, the "Collateral Manager"). The headquarters of HBK are located at 300 Crescent Court, Suite 700, Dallas, Texas 75201.

HBK was founded in 1991. HBK is managed by twelve managing directors and has offices in Dallas, New York, London, Hong Kong and Tokyo. HBK is an investment management firm that, as of May 31, 2006, had approximately $9.9 billion in capital under management.
From time to time, HBK has responded to various requests for information from governmental and regulatory bodies, including routine inspections and examinations, as well as enforcement inquiries and investigations. HBK has provided information to the SEC related to private investments in public equity and similar transactions and related trading activity. These transactions represent a small portion of HBK's overall business, relating to one of its thirteen business units, and are unrelated to its activities as Collateral Manager. HBK is listed, along with several other entities, in an SEC formal order of investigation related to these matters, and relevant personnel of HBK have given testimony. HBK believes the investigation is focused on insider trading issues related to trading before the public announcement of certain transactions and is one of many such investigations or inquiries directed toward numerous market participants, including brokerage firms, other intermediaries and investors. Based on interactions to date with the SEC staff and the limited scope of HBK's activities in this area, HBK does not believe the investigation will result in a material effect on HBK or have any financial effect on the Issuer or any of the private investment funds that HBK manages.

Biographies

Set forth below is information regarding certain persons who are currently employed by the Collateral Manager, although such persons may not necessarily continue to be so employed during the entire term of the Management Agreement and/or may not continue to perform services for the Collateral Manager under the Management Agreement.

Jamiel Akhtar, Managing Director

Mr. Akhtar has been associated with HBK since 1993 and is a Managing Director of HBK. Mr. Akhtar is primarily responsible for HBK's developed markets fixed income arbitrage portfolio, which includes investments in government and agency bonds, futures, interest rate derivatives, and mortgage and asset-backed securities. He received an A.B. degree cum laude in Economics in 1993 from Harvard College.

Kevin Jenks, Senior Portfolio Manager

Mr. Jenks has been associated with HBK since 2002 and is the firm's senior portfolio manager for the ABS, MBS and CMBS sectors. From 2000 to 2002, Mr. Jenks was a senior portfolio manager at Vanderbilt Capital Advisors, LLC specializing in the structured product fixed income market with a focus on structured credit securities. He was a senior member of a five person team responsible for managing over $6 billion in institutional fixed income portfolios for clients. From 1997 to 2000, Mr. Jenks was a portfolio manager with Prime Advisors, where he was responsible for the trading, investment strategy and management of a $3 billion plus fixed income portfolio consisting of total return funds and insurance company portfolios. In addition, he was also the firm's sector manager for structured product securities. Prior to 1997, Mr. Jenks held various trading, analyst and portfolio management positions at Bank Boston, The Boston Company Asset Management and Fidelity Investments. Mr. Jenks received a B.S. degree in Finance in 1992 from the University of Massachusetts.

Jason Lowry, Assistant Trader/Analyst

Mr. Lowry is an assistant trader/analyst with HBK. Jason oversees system analytics and surveillance. Prior to joining HBK Mr. Lowry was a quantitative analyst with Freddie Mac in fixed income research. Mr. Lowry received a B.S. degree in Physics from Carnegie Mellon in 2001.

Marco Lukesch

Mr. Lukesch is an analyst with HBK. Marco's primary responsibilities include surveillance and collateral analysis on new trades and existing positions. Prior to joining HBK Mr. Lukesch was a consultant with Oliver Wyman & Co, a strategy consulting firm devoted to the financial services industry. Mr. Lukesch graduated magna cum laude from the University of Pennsylvania in 2001 receiving a B.S. from the Wharton School and a B.A. from the college.
Kimberlee K. Rozman, Associate General Counsel

Ms. Rozman has been associated with HBK since 1999 and is Associate General Counsel of HBK. Ms. Rozman is responsible for a range of HBK’s legal matters. Prior to joining HBK Ms. Rozman was associated with Jackson & Walker L.L.P. Ms. Rozman received a J.D. degree summa cum laude from Dickinson Law School in 1990.

Gayla Utley, Director of Operations

Ms. Utley has been associated with HBK since 1996 and is responsible for global trading operations. Ms. Utley graduated from Texas A&M University in 1996 with a B.S. in Accounting.

Qi Wang

Ms. Wang has been associated with HBK since 1998 and is primarily responsible for the US fixed income arbitrage book. From 1996 to 1998, she worked on the US government sales desk at Lehman Brothers. She graduated magna cum laude from Yale University in 1995 with degrees in molecular biophysics & biochemistry and economics.

Brett Orr, CFA

Mr. Orr has been with HBK since 1997 and is responsible for financing all of HBK’s government, asset backed and mortgage backed securities. He graduated with honors in 1997 from Abilene Christian University with a B.S. in Financial Management.

Jim Wang

Mr. Wang is a senior quantitative analyst with HBK. Jim’s primary responsibilities include developing prepayment and default models to analyze mortgage pools. Prior to joining HBK, Mr. Wang was a quantitative analyst in ABS research at Citigroup. Mr. Wang graduated from Brandeis University with a Ph.D. in physics in 1996.
THE MANAGEMENT AGREEMENT

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

As compensation for the performance of its obligations as Collateral Manager under the Management Agreement, the Collateral Manager will receive a fee (the "Management Fee"), to the extent of the funds available for such purpose in accordance with the Priority of Payments. The Management Fee will accrue from the Closing Date at a rate of 0.30% per annum on the Quarterly Asset Amount, payable in arrears on each Distribution Date. In addition, if the Collateral Manager acts as Auction Agent, as compensation for the performance of its obligations as Auction Agent under the Management Agreement, the Collateral Manager will receive fees (the "Auction Agent Fees") as described in the succeeding sentence, to the extent of the funds available for such purpose in accordance with the Priority of Payments. The Auction Agent Fee will be (a) U.S.$35,000 on the first Auction Date; (b) if the Auction Call Redemption is not successful on the First Auction Call Date, U.S.$25,000 on the Distribution Date immediately following the First Auction Call Date; and (c) U.S.$15,000 on each Auction Date thereafter, if any. Any Management Fee or Auction Agent Fee accrued prior to the resignation or removal of the Collateral Manager will continue to be payable to the Collateral Manager on the Distribution Date immediately following the effectiveness of such resignation or removal.

To the extent not paid on any Distribution Date when due, any accrued Management Fee or Auction Agent Fee will be deferred and will be payable on the next subsequent Distribution Date on which funds are available for the payment thereof in accordance with the Priority of Payments. Any unpaid Management Fee or Auction Agent Fee that is deferred due to the operation of the Priority of Payments will not accrue interest.

The Collateral Manager will be responsible for its own ordinary expenses and costs incurred in the course of performing its obligations under the Management Agreement; provided that the Collateral Manager shall not be liable for the payment of any extraordinary expenses and costs or for the payment of expenses and costs of (a) legal advisers, accountants, consultants and other professionals retained by the Issuer or by the Collateral Manager on behalf of the Issuer in connection with certain services to be provided by the Collateral Manager as specified in the Management Agreement and (b) reasonable travel expenses undertaken in connection with effecting or directing disposition of Underlying Assets and Eligible Investments, negotiating with issuers of Underlying Assets as to proposed modifications or waivers, taking action or advising the Trustee with respect to the Issuer's exercise of any rights or remedies in connection with the Underlying Assets and Eligible Investments, including in connection with an offer or default, participating in committees or other groups formed by creditors of an issuer of Underlying Assets. Such expenses will be paid by the Issuer.

The Collateral Manager may not assign its rights or responsibilities under the Management Agreement without the consent of the Issuer and the holders of a majority in aggregate principal amount of Notes of the Controlling Class and upon satisfaction of the Rating Condition, except that pursuant to the Management Agreement the Collateral Manager may assign all of its rights and responsibilities thereunder (without thereby being relieved of any of its duties or obligations) to an Affiliate without the consent of the Issuer, the Trustee or any Noteholder. In addition, the Collateral Manager may, pursuant to the Management Agreement, enter into arrangements pursuant to which its Affiliates or third parties may perform certain services on behalf of the Collateral Manager, but such arrangements shall not relieve the Collateral Manager from any of its duties or obligations thereunder.
The Collateral Manager may resign upon 60 days' prior written notice to the Issuer and the Trustee, provided that (a) no such resignation shall be effective unless a Replacement Manager is appointed as described below and (b) the Collateral Manager shall have the right to resign immediately if, due to a change in applicable law or regulation, the performance by the Collateral Manager of its duties under the Indenture or the Management Agreement would be a violation of such law or regulation.

The Management Agreement provides that the Collateral Manager may at any time be removed for "cause" (as defined in the Management Agreement) upon 15 Business Days' prior written notice by the Issuer, which will effect such removal at the direction of holders of at least 66 2/3% in aggregate outstanding principal amount of the holders of the Controlling Class (voting as a separate class) and the holders of at least 66 2/3% of Preference Shares. In determining whether a specified percentage of holders of Notes or Preference Shares has directed any such removal as described above or given any objection to a successor Collateral Manager as described below, Collateral Manager Securities will be excluded.

For purposes of the Management Agreement, "cause" means any of the following events:

(a) the Collateral Manager willfully breaches, or takes any action that it knows violates, any provision of the Management Agreement or any term of the Indenture applicable to it (not including a willful breach or knowing violation that results from a good faith dispute on alternative courses of action or interpretation of instructions);

(b) the Collateral Manager breaches in any material respect any provision of the Management Agreement or any terms of the Indenture applicable to it and fails to cure such breach within 30 days after written notice of such failure is received by the Collateral Manager unless, if such failure is remediable, the Collateral Manager has taken action that the Collateral Manager in good faith believes will remedy, and that does in fact remedy, such failure within 90 days after written notice of such failure is received by the Collateral Manager;

(c) the Collateral Manager (i) ceases to be able to, or admits in writing its inability to, pay its debts when and as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or takes advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property or (v) is adjudicated as insolvent or is to be liquidated; or

(d) the occurrence of an act by the Collateral Manager that constitutes fraud or criminal activity in the performance of its obligations under the Management Agreement or the Collateral Manager being convicted for a criminal offense materially related to its investment advisory business.

No removal, termination or resignation of the Collateral Manager or termination of the Management Agreement shall be effective unless (a) a successor Collateral Manager (the "Replacement Manager") has agreed in writing to assume all of the Collateral Manager's duties and obligations, including its duties and responsibilities as the Auction Agent, (b) the Replacement Manager is not objected to by holders of at least 66 2/3% in aggregate outstanding principal amount of any class of Notes or the holders of at least 66 2/3% of the Preference Shares (excluding from such vote any Collateral Manager Securities) within 30 days after notice and (c) the Rating Condition has been satisfied with respect to the appointment of the Replacement Manager; provided, however, that at any time when an Event of Default shall have occurred and be continuing under the Indenture and the Collateral Manager shall have resigned or been removed under the circumstances set forth above, the holders of a Majority of the Notes of the Controlling Class may appoint a successor Collateral Manager (if the Rating Condition has been satisfied with respect to the appointment of the Replacement Manager).

In addition, no removal or resignation of the Collateral Manager while any Note or Preference Share is outstanding will be effective until the appointment by the Issuer of a Replacement Manager that is an established institution which (a) is legally qualified and has the capacity to act as Collateral Manager under the Management Agreement.
Agreement as successor to the Collateral Manager in the assumption of all of the responsibilities, duties and obligations of the Collateral Manager under the Management Agreement and under the applicable terms of the Indenture, including its duties and responsibilities as the Auction Agent, and (b) will not cause the Issuer or the pool of Collateral to become required to register as an investment company under the provisions of the Investment Company Act. The Indenture provides that if holders of at least 66 2/3% in aggregate outstanding principal amount of any Class of Notes or the holders of at least 66 2/3% of the Preference Shares (excluding from such votes the Collateral Manager Securities if the proposed Replacement Manager is an Affiliate of the Collateral Manager) object to a proposed Replacement Manager within 30 days after such notice (the "First Period"), the Trustee shall notify the holders of the Notes and Preference Shares that such Replacement Manager has been rejected. Such notice shall state that a Majority-in-Interest of Preference Shareholders may nominate a successor Collateral Manager within 60 days after the termination of the First Period (the "Second Period") and specify a date (not more than 20 days after the end of the First Period), time and place for a meeting (which meeting may be held telephonically) at which the Preference Shareholders may nominate (if necessary, by a majority vote of the Preference Shareholders present at such meeting) not more than two proposed successor Collateral Managers (which proposed successor Collateral Managers shall meet the requirements of a Replacement Manager specified in the Management Agreement). The Trustee shall notify each Preference Shareholder and Noteholder of the successor Collateral Managers proposed at such meeting and request that each Preference Shareholder and Noteholder, by notice given to the Trustee not later than 20 days after such meeting, select a successor Collateral Manager (if there are two proposed successor Collateral Managers) or approve such proposed Collateral Manager (if only one successor Collateral Manager is proposed). If such a successor Collateral Manager is objected to by a Majority-in-Interest of Preference Shareholders or by the Holders of 66 2/3% in aggregate principal amount of any Class of Notes, the Trustee shall notify each Holder of a Preference Share of the failure to appoint a successor Collateral Manager and specify a date (prior to the end of the Second Period), time and place for a meeting (which meeting may be held telephonically) at which a Majority-In-Interest of the Preference Shareholders present (so long as holders of at least 66 2/3% of the Preference Shares are represented at such meeting) may appoint a successor Collateral Manager. The Collateral Manager Securities shall be excluded from the determination of whether 66 2/3% in aggregate principal amount of any Class of Notes or a Majority-in-Interest of Preference Shareholders for appointing or approving (or objecting to) a successor Collateral Manager that is not an Affiliate of the Collateral Manager, the Notes and Preference Shares which are Collateral Manager Securities shall be included in determining whether the Noteholders and Preference Shareholders have selected or approved (or objected to) such successor Collateral Manager. In the event that a successor to the Collateral Manager is not appointed within 90 days after its resignation or removal, the Issuer or the Collateral Manager may petition a court to appoint a successor, without obtaining the approval of the Holders of the Notes and the Preference Shares.

Pursuant to the Indenture, the Trustee is entitled to exercise the rights and remedies of the Issuer under the Management Agreement (a) upon the occurrence of an Event of Default until such time, if any, as such Event of Default is cured or waived, (b) upon the termination of the Collateral Manager in accordance with the Management Agreement or (c) upon a material default in the performance, or breach, of any covenant, representation, warranty or other agreement of the Issuer under the Indenture or in any certificate or writing delivered pursuant thereto or made in connection therewith which proves to be incorrect in any material respect when made if (i) holders of at least 50% in aggregate outstanding principal amount of the Notes of any Class, Preference Shareholders whose aggregate Voting Percentages are at least 50% of all Preference Shareholders’ Voting Percentages or the Interest Rate Swap Counterparty gives notice of such default or breach to the Trustee and the Collateral Manager or (ii) the Collateral Manager, Issuer or Co-Issuer has actual knowledge of such default or breach, and in either case, such default or breach (if remediable) continues for a period of 30 days.

In certain circumstances, the interests of the Issuer and/or the holders of the Notes with respect to matters as to which the Collateral Manager is advising the Issuer may conflict with the interests of the Collateral Manager and its Affiliates. See "Risk Factors—Certain Conflicts of Interest."
LEHMAN BROTHERS SPECIAL FINANCING INC.

Lehman Brothers Special Financing Inc. ("LBSF"), a Delaware corporation and a wholly-owned subsidiary of Lehman Brothers Inc., which is a wholly-owned subsidiary of LBHI, is Lehman Brothers' principal dealer in a broad range of OTC derivative products including interest rate, currency, credit and mortgage derivatives. LBSF benefits from a full guarantee by LBHI.

Lehman Brothers Holdings Inc. ("LBHI"), was incorporated in December 29, 1983 and its principal executive offices are located at 745 Seventh Avenue, New York, New York, 10019, telephone 212-526-7000. LBHI together with its consolidated subsidiaries ("Lehman Brothers"), is an innovator in global finance and serves the financial needs of institutional clients and individuals, corporations, municipalities and government entities worldwide. Lehman Brothers provide a vast array of equities and fixed income sales, trading and research, investment banking services and investment management and advisory services. LBHI is currently rated A+ by S&P and A1 by Moody's for long-term senior debt and P1 by Moody's for short-term debt.
TAX CONSIDERATIONS

United States Tax Considerations

General

To ensure compliance with Internal Revenue Service Circular 230, investors are hereby notified that:
(a) any discussion of U.S. federal tax issues contained or referred to in this Offering Circular is not intended or written to be used, and cannot be used, by investors for the purpose of avoiding penalties that may be imposed on them under the Code; (b) such discussion is written to support the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax adviser.

The following is a summary of certain of the United States federal income tax consequences of an investment in the Notes by purchasers that acquire their Notes in the initial offering. The discussion and the opinions referenced below are based upon laws, regulations, rulings, and decisions currently in effect, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service (the "IRS") with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following summary does not deal with all United States federal income tax consequences applicable to any given investor, nor does it address the United States federal income tax considerations applicable to all categories of investors, some of which may be subject to special rules, such as Non-U.S. Holders (defined below), financial institutions, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities, currencies or notional principal contracts, persons that own (or are deemed to own) 10% or more of the voting shares (or interests treated as equity) of the Issuer, partnerships, pass-through entities or persons who hold the Notes through partnerships or pass-through entities, S corporations, estates and trusts, investors that hold their Notes as part of a hedge, straddle, synthetic security or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address alternative minimum tax consequences, or the indirect effects on investors of equity interests in either a U.S. Holder (as defined below) or a Non-U.S. Holder. In addition, this summary is generally limited to investors that will hold their Notes as "capital assets" within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the United States federal, state, local, and other tax consequences of the purchase, ownership, and disposition of the Notes.

As used herein, "U.S. Holder" or "Holder" means a beneficial holder of a Note that is an individual citizen or resident of the United States for United States federal income tax purposes, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust for which a court within the United States is able to exercise primary supervision over its administration and for which one or more United States persons (as defined in the Code) have the authority to control all of its substantial decisions or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust. If a partnership holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult their own tax advisors. "Non-U.S. Holder" means any holder (or beneficial holder) of a Note that is not a U.S. Holder.

U.S. Federal Income Tax Consequences to the Issuer

Upon the issuance of the Notes, Allen & Overy LLP, special U.S. tax counsel to the Issuer, will deliver an opinion generally to the effect that under current law, and assuming compliance with the Indenture (and certain other documents) and based on certain factual representations made by the Issuer and the Collateral Manager, although the matter is not free from doubt, the Issuer will not be engaged in the conduct of a trade or business in the United States, other than possibly investing and trading in securities for the Issuer's own account. Accordingly, the Issuer does not expect to be subject to net income taxation in the United States. Prospective investors should be aware that opinions of counsel are not binding on the IRS and there can be no absolute assurance that the IRS will not seek to treat the Issuer as engaged in a U.S. trade or business. If the IRS were to successfully characterize the
Issuer as engaged in such a trade or business, among other consequences, the Issuer would be subject to net income taxation in the United States (as well as the branch profits tax) on its income. The levying of such taxes would materially affect the Issuer’s financial ability to pay principal and interest on the Notes.

The Issuer intends to acquire the Underlying Assets, the interest on which, and any gain from the sale or disposition thereof, is expected not to be subject to United States federal withholding tax or withholding tax imposed by other countries (unless subject to being "grossed up"). The Issuer will not, however, make any independent investigation of the circumstances surrounding the issuance of the individual assets comprising the Underlying Assets and, thus, there can be no absolute assurance that in every case, payments will be received free of withholding tax. If the Issuer is a CFC (defined below), the Issuer would incur United States withholding tax on interest received from a related U.S. person.

In addition, it is not expected that the Issuer will derive material amounts of any other items of income that will be subject to United States withholding taxes.

If withholding or deduction of any taxes from payments is required by law in any jurisdiction, the Issuer shall be under no obligation to make any additional payments to any Holder in respect of such withholding or deduction.

Notwithstanding the foregoing, any commitment fee, facility fee and similar fee that the Issuer earns may be subject to a 30% withholding tax and any lending fees received under a securities lending agreement may also be subject to withholding tax.

Classification of the Notes

The Issuer has agreed and, by its acceptance of a Note, each Noteholder will be deemed to have agreed, to treat each of the Notes as debt of the Issuer for United States federal income tax purposes, unless required by law. Upon the issuance of the Notes, Allen & Overy LLP will deliver an opinion generally to the effect that assuming compliance with the Indenture (and certain other documents) and based on certain factual representations made by the Issuer and the Initial Purchasers, the Notes, when issued, will be characterized as debt of the Issuer for United States federal income tax purposes. Prospective investors should be aware that opinions of counsel are not binding on the IRS, and there can be no assurance that the IRS will not seek to characterize any Class of Notes as other than indebtedness. Except as provided under "—Alternative Characterization of the Notes," below, the balance of this discussion assumes that the Notes will be characterized as debt of the Issuer for United States federal income tax purposes unless required by law.

For United States federal income tax purposes, the Issuer of the Notes, and not the Co-Issuer, will be treated as the issuer of the Notes.

Payments of Interest on the Notes.

Generally, stated interest on a Note that is considered “unconditionally payable” (as described below) will be ordinary income taxable to a U.S. Holder when received or accrued in accordance with such U.S. Holder’s method of accounting for U.S. federal income tax purposes. Such interest income will be treated as foreign source income for foreign tax credit purposes. If the “stated redemption price at maturity” (“SRPM”) of a Note exceeds the “issue price” of such Note by more than a “de minimis amount,” then the excess of SRPM over the issue price may constitute original issue discount (“OID”). The SRPM of a debt instrument is generally the sum of all payments provided by the debt instrument other than “qualified stated interest” payments. The issue price is the first price at which a substantial amount of a debt instrument is sold to the public. The de minimis amount is any amount less than one-fourth of one percent of a debt instrument’s SRPM multiplied by the number of complete years to maturity. Qualified stated interest is generally interest paid on a debt instrument that is unconditionally payable at least annually at a single fixed rate.

The Treasury Regulations provide that, for purposes of determining whether a debt instrument is issued with OID, stated interest must be included in the SRPM of the debt instrument if such interest is not
“unconditionally payable.” Interest is considered “unconditionally payable” if reasonable legal remedies exist to compel timely payment or terms and conditions of the debt instrument make the likelihood of late payment (other than late payment that occurs within a reasonable grace period) or non-payment (ignoring the possibility of non-payment due to default, insolvency or similar circumstances) a remote contingency. The Issuer intends, pursuant to its interpretation of the foregoing rules, to take the position that payments of interest on the Class A-1 Notes, Class A-2 Notes and Class B Notes are considered unconditionally payable, and thus not included in the SRPM of such Class A-1 Notes, Class A-2 Notes and Class B Notes and should be treated as “qualified stated interest”. Because the interest payments on the Class C Notes, Class D Notes and Class E Notes are subject to deferral (and the possibility of such deferral may not be remote within the meaning of the Treasury Regulations), the Issuer intends to take the position that all interest (including interest on accrued but unpaid interest) payable on the Class C Notes, Class D Notes and Class E Notes should be included in the SRPM and should be treated as issued with OID. However, because there is no authority addressing when the likelihood of a contingency such as the deferral of interest should be considered not “remote”, there can be no assurance the IRS will agree with this position.

The U.S. federal income tax treatment of the Class C Notes, the Class D Notes and the Class E Notes under the OID rules is uncertain. If the Class C Notes, the Class D Notes and the Class E Notes are issued at an issue price equal to their principal amount, the Issuer intends not to calculate OID under the PAC Method referred to below, and instead to take the position that the amount of OID that accrued on such Class C Notes, Class D Notes and Class E Notes in each accrual period is equal to the amount of interest (including any Deferred Interest with respect to the Class C Notes, the Class D Notes and the Class E Notes) that accrues on such Class C Notes, Class D Notes and Class E Notes during such period. Unless the Class C Notes, the Class D Notes and the Class E Notes are issued at an issue price equal to their principal amount, in including stated interest in the SRPM of the Class C Notes, the Class D Notes and the Class E Notes, the Issuer intends, absent definitive guidance, to treat the Class C Notes, the Class D Notes and the Class E Notes as subject to an income accrual method analogous to the methods applicable to debt instruments having payments that are contingent as to amount but not as to time and debt instruments whose payments are subject to acceleration (prescribed by section 1272(a)(6) of the Code) using an assumption as to the expected prepayments on the Class C Notes, the Class D Notes and the Class E Notes (the "PAC Method"). As such, accruals of any such additional OID will generally be based upon the weighted average life of such Class C Notes, Class D Notes and Class E Notes rather than the stated maturity. Prospective investors should consult their own tax advisors regarding the application of the OID rules to the Class C Notes, the Class D Notes and the Class E Notes and the tax characterization and treatment of payments on such Notes.

**Sale, Exchange or Retirement of the Notes.**

A U.S. Holder’s tax basis in a Note will generally equal its cost, plus any accrued OID, reduced by the amount of any payments received by the U.S. Holder with respect to a Note that are not qualified stated interest payments as described above. A U.S. Holder will generally recognize gain or loss on the sale, exchange or retirement of a Note equal to the difference between the amount realized and the tax basis of the Note. That gain or loss will be a capital gain or loss and generally will be treated as from sources within the United States. Prospective investors should consult their own tax advisors with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers that are individuals, trusts or estates and that held a Senior Debt Note for more than one year) and capital losses (the deductibility of which is subject to limitations).

If any Class of Notes were considered "contingent payment debt instruments" ("CPDIs") within the meaning of Treasury Regulation section 1.1275-4, then, among other consequences, gain on the sale of such Notes that might otherwise be capital gain would be ordinary income. Although the Issuer does not intend to treat the Notes as CPDIs, prospective investors should consult their own tax advisors regarding the possible characterization of the Notes as CPDIs.

**Alternative Characterization of the Notes**

Notwithstanding tax counsel’s opinion, U.S. Holders should recognize that there is some uncertainty regarding the appropriate classification of instruments such as the Notes. It is possible, for example, that the IRS may contend that a Class of the Notes should be treated as equity interests (or as part-debt, part-equity) in the Issuer. Such a recharacterization might result in materially adverse tax consequences to U.S. Holders.
If U.S. Holders of a Class of Notes were treated as owning equity interests in the Issuer, interest payments would be treated as dividends (to the extent of current and accumulated earnings). Further, while not certain, interest on the Notes might accrue (as dividends) prior to payment in a manner akin to the accrual of OID. No dividends received deduction would apply to any of those dividends.

Further, the Issuer is a passive foreign investment company, or PFIC. If U.S. Holders were treated as owning equity interests in the Issuer, U.S. Holders generally will be considered United States shareholders in a PFIC. Under the rules relating to PFICs, a United States shareholder of a PFIC that receives an "excess distribution" must allocate the excess distribution ratably to each day in the taxpayer’s holding period for such equity, and must pay a deemed deferred tax amount with respect to each prior year in the taxpayer’s holding period. The total excess distribution for any taxable year is the excess of (a) the total distributions for the year over (b) 125 percent of the average amount received in respect of such stock by the taxpayer during the three preceding years (or, if shorter, the U.S. Holder’s holding period for such equity). In addition, any gain on the disposition of such equity in a PFIC would be treated as though it were an excess distribution. The deferred tax amount is equal to the sum of (a) the aggregate increases in taxes (computed at the maximum marginal rate) for each year in the taxpayer’s holding period before the current year that would result from allocating the excess distributions back over the taxpayer’s holding period ratably and (b) interest on those increases.

In order to avoid the application of the PFIC rules, each U.S. Holder should consider making (and consult with its tax advisors regarding the effectiveness and usefulness of making) a qualified electing fund election (the "QEF election") provided in Section 1295 of the Code on a "protective" basis (although such protective election may not be respected by the IRS because current regulations do not specifically authorize that particular election). In general, a QEF election should be made on or before the due date for filing a United States shareholder’s federal income tax return for the first taxable year for which it held a Note. In lieu of the PFIC rules discussed above, a U.S. Holder that makes a valid QEF election with respect to a Note that is recharacterized as an equity interest in the Issuer will, in very general terms, be required to include its pro rata share of the Issuer’s ordinary income and net capital gains (unreduced by any prior year losses) in income as ordinary income and long-term capital gain, respectively, for each taxable year and pay tax thereon (even if the amount of that income is not the same as the interest payment, if any, made or OID, if any accruing, on the Note during that period). In general, however, payments of interest on the Note that reflect income on which the Holder has already paid taxes under the QEF election, will not be further taxable to the U.S. Holder. While there can be no assurance that the IRS would respect the following allocation, the Issuer intends to allocate such ordinary income and net capital gains in a manner designed to cause any Class of Notes that is recharacterized as equity in the Issuer to have approximately the same amount of income as would have accrued on that Class had it been respected as debt.

In the event that any Class of Notes is recharacterized as voting equity in the Issuer and certain other conditions are met, the Issuer may be classified as a controlled foreign corporation (a "CFC") with respect to U.S. Holders that own at least 10% of the Issuer’s voting equity. In such event, Noteholders would, in general, be taxed in a similar manner as if they had made the QEF election described above (although some income that would otherwise be capital, may be ordinary).

Information Reporting Requirements

Under United States federal income tax law and regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. These reporting requirements apply to both taxable and tax-exempt U.S. Holders. Penalties for failure to file certain of these information returns are severe. Purchasers of the Notes should consult with their own tax advisors regarding the necessity of filing information returns.

If requested by the Issuer, each Holder will be required to provide the Issuer with the name and status of each beneficial owner of a Note that is a U.S. Holder.
**Non-U.S. Holders**

Assuming that (i) the Notes are treated as debt of a non-United States corporation or (ii) if the Notes are treated as equity in a non-United States corporation, that such corporation is not engaged in a U.S. trade or business, a Non-U.S. Holder of a Note that has no connection with the United States and is not related, directly or indirectly, with the Issuer or the holders of the Issuer’s equity or the Preferred Shares, will not be subject to U.S. withholding tax on interest payments. Non-U.S. Holders may be required to make certain tax representations regarding the identity of the beneficial owner of the Notes in order to receive payments free of withholding.

**Backup Withholding and Information Reporting**

Backup withholding and information reporting requirements may apply to certain payments on the Notes (including OID, if any) and proceeds of the sale, exchange, redemption or other disposition of the Notes to U.S. Holders. The Issuer, its agent, a broker, or any paying agent, as the case may be, may be required to withhold tax from any payment that is subject to backup withholding if the U.S. Holder fails to furnish the U.S. Holder’s taxpayer identification number (typically by providing a completed and executed IRS Form W-9), to certify that such U.S. Holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain U.S. Holders (including, among others, corporations) are not subject to the backup withholding and information reporting requirements. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a holder generally may be claimed as a credit against such holder’s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Prospective investors in the Notes should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

**IRS Disclosure Reporting Requirements**

Recently promulgated U.S. Treasury Regulations (the "Disclosure Regulations") meant to require the reporting of certain tax shelter transactions ("Reportable Transactions") could be interpreted to cover transactions generally not regarded as tax shelters. Under the Disclosure Regulations it may be possible that certain transactions with respect to the Notes may be characterized as Reportable Transactions requiring a holder to disclose such transaction, such as a sale, exchange, retirement or other taxable disposition of a Note that results in a loss that exceeds certain thresholds and other specified conditions are met. Prospective investors in the Notes should consult with their own tax advisers to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Statement).

**Cayman Islands Tax Considerations**

The following discussion of certain Cayman Islands income tax consequences of an investment in the Notes is based on the advice of Maples & Calder as to Cayman Islands law. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It assumes that the Issuer will conduct its affairs in accordance with assumptions made by, and representations made to, counsel. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.
Under existing Cayman Islands laws:

(i) payments of principal and interest in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any Holder of a Note and gains derived from the sale of Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(ii) the Holder of any Note (or the legal personal representative of such Holder) whose Note is brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Note.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has applied for and obtained an undertaking from the Governor In Cabinet of the Cayman Islands substantially in the following form:

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

In accordance with Section 6 of the Tax Concessions Law (1999 Revision) the Governor in Cabinet undertakes with Gemstone CDO VI Ltd. (the "Company"):

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

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

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

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

These concessions shall be for a period of twenty years from the 6th day of June, 2006.

Governor in Cabinet"
ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain duties on persons who are fiduciaries of employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA ("ERISA Plans") and of entities whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entities. These duties include investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and liquidity needs and all of the facts and circumstances of the investment, including the availability of a public market for the investment. In addition, certain U.S. federal, state and local laws impose similar duties on fiduciaries of governmental and/or church plans which are not subject to ERISA.

Any fiduciary of an ERISA Plan, of an entity whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entity, or of a governmental or church plan which is subject to fiduciary standards similar to those of ERISA ("Plan Fiduciary"), who proposes to cause such a plan or entity to purchase Notes should determine whether, under the general fiduciary standards of ERISA or other applicable law, an investment in the Notes is appropriate for such plan or entity. In determining whether a particular investment is appropriate for an ERISA Plan, U.S. Department of Labor regulations provide that the fiduciaries of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan's purposes, an examination of the risk and return factors, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan and the projected return of the total portfolio relative to the ERISA Plan's funding objectives. Before investing the assets of an ERISA Plan in Notes, a Plan Fiduciary should determine whether such an investment is consistent with the foregoing regulations and its fiduciary responsibilities, including any specific restrictions to which such fiduciary may be subject.

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

Each of the Issuer, the Co-Issuer, the Initial Purchasers and the Collateral Manager, as a result of their own activities or because of the activities of an Affiliate, may be considered a Party in Interest with respect to Plans. Accordingly, prohibited transactions (within the meaning of Section 406 of ERISA and Section 4975 of the Code) may arise if Notes are acquired by a Plan with respect to which any of the Issuer, the Co-Issuer, the Initial Purchasers, the Collateral Manager, the obligors on the Underlying Assets or any of their respective Affiliates is a Party in Interest. In addition, if a Party in Interest with respect to a Plan owns or acquires a beneficial interest in the Issuer or the Co-Issuer, the acquisition or holding of Notes by or on behalf of the Plan could be considered to constitute an indirect prohibited transaction. Moreover, the acquisition or holding of Notes or other indebtedness issued by the Issuer or the Co-Issuer by or on behalf of a Party in Interest with respect to a Plan which owns or acquires a beneficial interest in the Issuer or the Co-Issuer, as the case may be, also could give rise to an indirect prohibited transaction. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan Fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are U.S. Department of Labor ("DOL") PTE 96-23, regarding investments by certain "in-house asset managers"; PTE 95-60, regarding investments by insurance company general accounts; PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; and PTE 84-14, regarding transactions effected by "qualified professional asset managers." Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. If a purchase of Notes were to constitute or result in a non-exempt prohibited transaction, the purchase might have to be rescinded.
In addition, new legislation (the "Pension Protection Act of 2006") provides a new statutory exemption for prohibited transactions between a plan and a Person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to the assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction. The Pension Protection Act of 2006 is scheduled to be signed by the President on August 17. Prospective investors should consult with their advisors regarding the signing of the legislation and this statutory exemption. Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to local, state or other Federal laws that are similar to the foregoing provisions of ERISA and the Code.

The DOL, the government agency primarily responsible for administering the ERISA fiduciary rules and the prohibited transaction rules under ERISA and Section 4975 of the Code, has issued a regulation (the "Plan Asset Regulation") which, under specified circumstances, requires Plan fiduciaries, and entities with certain specified relationships to a Plan, to "look through" investment vehicles (such as the Issuer) and treat as an "asset" of the Plan each underlying investment made by such investment vehicle. The Plan Asset Regulation provides, however, that if equity participation in any entity by "Benefit Plan Investors" is not significant, then the "look-through" rule will not apply to such entity. The term "Benefit Plan Investors" is defined in the Plan Asset Regulation, as modified by the Pension Protection Act of 2006, to include (i) any employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (ii) any plan described in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code, and (iii) any entity whose underlying assets include "plan assets" by reason of any such employee benefit plan's or plan's investment in the entity. Equity participation by Benefit Plan Investors in an entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, exercising control over the assets of the entity or providing investment advice to the entity for a fee (such as the Collateral Manager) or any Affiliates of such persons (any such person, a "Controlling Person")) is held by Benefit Plan Investors (the "25% Threshold").

There is little pertinent authority in this area and securities may change character from debt to equity over time due to changing circumstances. Fiduciaries of Plans considering the purchase of Notes should consult their counsel in this regard. However, it is not anticipated that the Class A Notes, the Class B Notes or the Class C Notes will constitute "equity interests" in the Issuers. Based primarily on the unconditional obligation of the Issuers to pay interest and to repay principal by a fixed maturity date and the creditors' remedies available to holders of the Class D Notes and the Class E Notes, it is anticipated that the Class D Notes and the Class E Notes will not constitute "equity interests" in the Issuers, despite their subordinated position in the capital structure of the Issuers. No measures will be taken to restrict investment in the Class D Notes or the Class E Notes by Benefit Plan Investors.

The sale of any Note to a Plan is in no respect a representation by the Issuer, the Initial Purchasers, the Collateral Manager or any of their Affiliates that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for a Plan generally or any particular Plan.

EACH ORIGINAL PURCHASER AND TRANSFEREE WILL BE DEEMED TO REPRESENT AND WARRANT) THAT EITHER (A) IT IS NOT A PLAN, A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, OR (B) ITS PURCHASE AND OWNERSHIP OF SUCH NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, ANY SUCH SIMILAR U.S. FEDERAL, STATE OR LOCAL LAW).

It should be noted that an insurance company's general account may be deemed to include assets of ERISA Plans under certain circumstances, e.g., where an ERISA Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the U.S. Supreme Court in John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993). An insurance company considering the purchase of Notes with
assets of its general account should consider such purchase and the insurance company's ability to make the representations described above in light of *John Hancock*, Section 401(c) of ERISA and 29 C.F.R. §2550.401c-1.

The discussion of ERISA and Section 4975 of the Code contained in this Offering Circular, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

**Tax penalty avoidance**

The summary of ERISA considerations contained herein was written to support the promotion and marketing of the Notes, and was not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any U.S. federal tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.
PLAN OF DISTRIBUTION

The Issuers and the Initial Purchasers will enter into a Note Purchase Agreement (the "Note Purchase Agreement") relating to the offering and sale of the Notes. In the Note Purchase Agreement, the Issuers have agreed to sell to the Initial Purchasers, and the Initial Purchasers will agree to purchase, the entire principal amount of the Notes. The Notes purchased by the Initial Purchasers, if any, will be privately placed with eligible investors by the Initial Purchasers. The obligations of the Initial Purchasers under the Note Purchase Agreement are subject to the satisfaction of certain conditions in the Note Purchase Agreement. The Issuer will pay all fees and expenses in connection with this offering as set forth in the Note Purchase Agreement. Pursuant to the Note Purchase Agreement, the Issuers will agree to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments it may be required to make in respect thereof.

The Issuers have been advised by the Initial Purchasers that the Initial Purchasers proposes to sell the Notes (i) to Qualified Purchasers who are also (a) Qualified Institutional Buyers pursuant to Rule 144A or (b) Institutional Accredited Investors pursuant to Section 4(2), and (ii) to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. Buyers of the Notes may be required to make certain representations with respect to their ability to invest in the Notes.

The Notes are offered subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, to the right of the Initial Purchasers to reject any order in whole or in part for any reason and to certain other conditions.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in accordance with Regulation S or pursuant to the exemptions from the registration requirements under the Securities Act provided by Rule 144A.

(1) In the Note Purchase Agreement, each of the Initial Purchasers will represent and agree that it has offered or sold Notes and will offer or sell Notes (a) as part of its distribution at any time and (b) otherwise until 40 days after the completion of the distribution of the Notes, only in accordance with Rule 903 of Regulation S or Rule 144A or any other available exemption from the Registration requirements of the Securities Act. Accordingly, each of the Initial Purchasers will represent and agree that neither it, its affiliates (if any) nor any persons acting on their behalf have engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes, and they have complied and will comply with the offering restrictions requirements of Regulation S.

(2) In the Note Purchase Agreement each of the Initial Purchasers will agree that (i) it will not solicit offers for, or offer or sell, any of the Notes by any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act, (ii) it will solicit offers for the Notes only from, and will offer the Notes only to, persons that (A) it reasonably believes to be, in the case of offers inside the United States or to U.S. Persons, Qualified Institutional Buyers or Institutional Accredited Investors, who are also Qualified Purchasers or (B) in the case of offers outside the United States, are non-U.S. Persons; and (iii) with respect to offers and sales of the Notes outside the United States that it will not offer, sell or deliver any of the Notes in any jurisdiction outside the United States except under circumstances that will result in compliance with the applicable laws thereof.
United Kingdom

Pursuant to the Purchase Agreement, each of the Initial Purchasers will represent and agree that:

(1) 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 any 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 FSMA by the Issuer;

(2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Cayman Islands

The Initial Purchasers have represented and agreed that it has not made and will not make any invitation to any member of the public in the Cayman Islands to subscribe for any of the Notes (or the Preference Shares).

General

The Issuers and the Collateral Manager extend to each prospective investor the opportunity to ask questions of, and receive answers from, the Issuers and the Collateral Manager concerning the Notes and the terms and conditions of this Offering and to obtain any additional information it may consider necessary in making an informed investment decision and any information necessary in order to verify the accuracy of the information set forth herein, to the extent the Issuers, or the Collateral Manager possesses the same. Requests for such additional information can be directed to Gemstone CDO VI Ltd., c/o Maples Finance Limited, P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands; Gemstone CDO VI Corp., c/o Puglisi & Associates, 850 Library Avenue Suite 204, Newark, Delaware 19711; and HBK Investments L.P., 300 Crescent Court Suite 700, Dallas, Texas 75201, Attention: Fixed Income Division.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes or possession, circulation or distribution of this Offering Circular or any other offering material relating to the Issuer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Purchasers of the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the purchase price.

The Notes are newly issued securities for which there currently is no market. The Initial Purchasers have advised the Issuer that the Initial Purchasers presently does not intend to make a market in the Notes.
Certain of the Underlying Assets may have been originally underwritten, originated or placed by the Initial Purchasers or any of their affiliates. In addition, the Initial Purchasers and its affiliates may have in the past and may in the future perform investment banking services, commercial banking services or other services for issuers of the Underlying Assets.
TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of Notes.

Investor Representations on Original Purchase. Each Original Purchaser of Notes from the Initial Purchasers will be deemed to acknowledge, represent to and agree with the Issuers and such Initial Purchasers as follows:

1. No Governmental Approval. The purchaser understands that the Notes have not been approved or disapproved by the SEC or any other governmental authority or agency of any jurisdiction, nor has the SEC or any other governmental authority or agency passed upon the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense.

2. Certification Upon Transfer. If required by the Indenture, the purchaser will, prior to any sale, pledge or other transfer by it of any Note (or any interest therein), obtain from the transferee and deliver to the Issuers, the Trustee and the Note Registrar a duly executed transfer certificate addressed to each of the Issuers, the Trustee and the Note Registrar in the form of the relevant exhibit attached to the Indenture and such other certificates and other information as the Issuers, the Trustee or the Note Registrar may reasonably require to confirm that the proposed transfer substantially complies with the transfer restrictions set forth in the Indenture and described herein.

3. Minimum Denominations; Form of Notes. The purchaser agrees that no Note (or any interest therein) may be sold, pledged or otherwise transferred in a denomination of less than the applicable required minimum denomination set forth in the Indenture and described herein.

4. Securities Law Limitations on Resale. The purchaser understands that the Notes have not been registered under the Securities Act and, therefore, cannot be offered or sold in the United States or to U.S. Persons (as defined in Rule 902(k) under the Securities Act) unless they are registered under the Securities Act or unless an exemption from registration is available. Accordingly, the certificates representing the Notes will bear a legend stating that such Notes have not been registered under the Securities Act and setting forth certain of the restrictions on transfer of the Notes described herein. The purchaser understands that the Issuers have no obligation to register any of the Notes under the Securities Act or to comply with the requirements for any exemption from the registration requirements of the Securities Act (other than to supply information specified in Rule 144A(d)(4) of the Securities Act as required by the Indenture).

5. Qualified Institutional Buyer, Institutional Accredited Investor or Non-U.S. Person Status; Investment Intent. In the case of a purchaser who takes delivery of Notes in the form of a Restricted Note, (a) it is a Qualified Institutional Buyer or, in respect of certain Original Purchasers, an Institutional Accredited Investor, and (b) is acquiring the Notes for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). In the case of a purchaser who takes delivery of Notes in the form of a Regulation S Note, (a) it is not a U.S. Person (as defined in Rule 902(k) under the Securities Act), (b) it is purchasing such Notes for its own account and not for the account or benefit of a U.S. Person and (c) it understands that prior to the end of the Distribution Compliance Period, interests in a Regulation S Note may be held only through Euroclear or Clearstream.

6. Purchaser Sophistication; Non-Reliance; Suitability; Access to Information. The purchaser (a) has such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in the Notes, (b) is financially able to bear such risk, (c) in making such investment is not relying on the advice or recommendations of the Initial Purchasers, the Issuer, the Co-Issuer, the Collateral Manager or any of their respective affiliates (or any representative of any of the foregoing) and (d) has determined that an investment in the
Notes is suitable and appropriate for it. The purchaser has received, and has had an adequate opportunity to review the contents of, this Offering Circular. The purchaser has had access to such financial and other information concerning the Issuers and the Notes as it has deemed necessary to make its own independent decision to purchase Notes, including the opportunity, at a reasonable time prior to its purchase of Notes, to ask questions and receive answers concerning the Issuers and the terms and conditions of the offering of the Notes.

(7) **Certain Resale Limitations; Rule 144A.** No Note (or any interest therein) may be offered, sold, pledged or otherwise transferred to (a) a transferee acquiring a Restricted Note except (i) to a transferee whom the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, (ii) to a transferee that is a Qualified Purchaser, (iii) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (iv) if such transfer is made in compliance with the certification (if any) and other requirements set forth in the Indenture and (v) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction or (b) a transferee acquiring an interest in a Regulation S Note except (i) to a transferee that is a non-U.S. Person acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S, (ii) if such transfer is made in compliance with the certification (if any) and other requirements set forth in the Indenture and (iii) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

(8) **Limited Liquidity.** The purchaser understands that there is no market for Notes and that no assurance can be given as to the liquidity of any trading market for Notes and that it is unlikely that a trading market for any of the Notes will develop. The purchaser further understands that, although the Initial Purchasers may from time to time make a market in Notes, the Initial Purchasers are under no obligation to do so and, following the commencement of any market-making, they may discontinue the same at any time. Accordingly, the purchaser must be prepared to hold Notes for an indefinite period of time or until their maturity. The purchaser further understands that the Notes are limited-recourse obligations of the Issuers, payable solely from the Collateral in accordance with the Priority of Payments.

(9) **Investment Company Act.** The purchaser either (a) is not a U.S. resident (within the meaning of the Investment Company Act) or (b) is a Qualified Purchaser. The purchaser agrees that no sale, pledge or other transfer of a Note (or any interest therein) may be made (m) unless such transfer is made to a transferee who, if a U.S. resident (within the meaning of the Investment Company Act), is a Qualified Purchaser or (n) if such transfer would have the effect of requiring either of the Issuers to register as an investment company under the Investment Company Act. If the purchaser is a U.S. resident that is an entity that would be an investment company but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (any such entity, an "excepted investment company"): (x) all of the beneficial owners of outstanding securities (other than short-term paper) of such entity (such beneficial owners determined in accordance with Section 3(c)(1)(A) of the Investment Company Act) that acquired such securities on or before April 30, 1996 ("pre-amendment beneficial owners"); and (y) all pre-amendment beneficial owners of the outstanding securities (other than short-term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such entity, have consented to such entity's treatment as a Qualified Purchaser in accordance with the Investment Company Act.

Each purchaser of a Restricted Note or an interest therein will be deemed to represent at the time of purchase that the purchaser is (a) a Qualified Institutional Buyer (or, in respect of certain Original Purchasers, an Institutional Accredited Investor) and (b) a Qualified Purchaser.

(10) **Certifications Related to Tax Withholding.** The Purchaser understands that the Issuer may require certification acceptable to it (a) to permit the Issuer to make payments to it without, or at a reduced
rate of, withholding or (b) to enable the Issuer to qualify for a reduced rate of withholding in any jurisdiction from or through which the Issuer receives payments on its assets. The Purchaser agrees to provide any such certification that is requested by the Issuer.

(11) **Tax Treatment.** The Purchaser agrees by acquisition of the Note or Notes that it will treat the Notes as indebtedness of Issuer for purposes of U.S. federal income, state and local income and franchise tax and any other income taxes, acknowledges that the Issuer will be treated as a corporation and that the Preference Shares will be treated as equity in the Issuer, and agrees to take no action inconsistent with such treatment, unless required by law.

(12) **ERISA.** In the case of each purchaser of a Note either that (i) it is not, and is not acting on behalf of, an employee benefit plan within the meaning of Section 3(3) of ERISA, a plan within the meaning of Section 4975(e)(1) of the Code, an entity which is deemed to hold the assets of any such plan pursuant to 29 C.F.R. §2510.3-101, which plan or entity is subject to Title I of ERISA or Section 4975 of the Code, or a governmental or church plan which is subject to any Federal, state or local law that is similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and ownership of the Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental or church plan, a violation of any similar U.S. Federal, state or local law).

(13) **Limitations on Flow-Through Status.** In the case of a purchaser that is a U.S. resident (within the meaning of the Investment Company Act), the purchaser represents that, unless the purchaser is a Qualifying Investment Vehicle, (a) if the purchaser would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, the amount of the purchaser's investment in the Notes and Preference Shares does not exceed 40% of the total assets (determined on a consolidated basis with its subsidiaries) of the purchaser; (b) no person owning any equity or similar interest in the purchaser has the ability to control any investment decision of the purchaser or to determine, on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser; (c) the purchaser was not organized or reorganized for the specific purpose of acquiring Notes or Preference Shares; and (d) no additional capital or similar contributions were specifically solicited from any person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase Notes or Preference Shares (any such transferee in (a), (b), (c) or (d) above being herein referred to as a "Flow-Through Investment Vehicle"). For this purpose, a "Qualifying Investment Vehicle" is an entity as to which all of the beneficial owners of any securities issued by such entity have made, and as to which (in accordance with the document pursuant to which such entity was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make, to the Issuer or the Issuers, as the case may be, and the Trustee and the Note Registrar (in the case of the Notes) or the Preference Shares Transfer Agent (in the case of the Preference Shares) each of the representations set forth herein and in the Indenture and the Preference Share Paying Agency Agreement required to be made upon transfer of any of the relevant Class of Notes or Preference Shares (with modifications to such representations satisfactory to the Issuer, the Co-Issuer, the Trustee, the Note Registrar and the Preference Share Transfer Agent (as applicable) to reflect the indirect nature of the interests of such beneficial owners in such Notes or Preference Shares. If the purchaser is a Flow-Through Investment Vehicle, the purchaser represents and warrants that either (x) none of the beneficial owners of its securities are U.S. residents (within the meaning of the Investment Company Act) or (y) some or all of the beneficial owners of its securities are U.S. residents (within the meaning of the Investment Company Act) and each such beneficial owner has certified to the purchaser that it is a Qualified Purchaser. If the purchaser is a Flow-Through Investment Vehicle, the purchaser also represents and warrants that it has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Notes or Preference Shares).

(14) **Certain Transfers Void.** In the case of a purchaser who takes delivery of Notes in the form of a Restricted Note, the purchaser agrees that (a) any sale, pledge or other transfer of a Note (or any
interest therein) made in violation of the transfer restrictions contained in Indenture and described
herein, or made based upon any false or inaccurate representation made by the purchaser or a
transferee to the Issuer, the Co-Issuer, the Trustee or the Note Registrar will be void and of no
force or effect and (b) none of the Issuer, the Co-Issuer, the Trustee and the Note Registrar has any
obligation to recognize any sale, pledge or other transfer of a Note (or any interest therein) made in
violation of any such transfer restriction or made based upon any such false or inaccurate
representation.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either
of the Issuers determines that any beneficial owner of a Restricted Note (or any interest therein) (a)
is a U.S. Person and (b) is not both a Qualified Institutional Buyer (or, in respect of certain
Original Purchasers, an Institutional Accredited Investor) and a Qualified Purchaser, then either of
the Issuers may require, by notice to such beneficial owner, that such beneficial owner sell all of its
right, title and interest to such Restricted Note (or interest therein) to a person that is (i) a non-U.S.
Person in a transfer for an interest in a Regulation S Note, or (ii) both a Qualified Institutional
Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such
sale requirement is given. If such beneficial owner fails to effect the transfer required within such
30-day period, (y) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf
of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Note to be
transferred in a commercially reasonable sale (conducted by an investment bank selected by the
Trustee with the consent of the Collateral Manager in accordance with Section 9-610(b) of the
Uniform Commercial Code as in effect in the State of New York as applied to securities that are
sold on a recognized market or that may decline speedily in value) to a person to whom such Note
(or interest therein) may be transferred in accordance with the transfer restrictions set forth in the
Indenture and (z) pending such transfer, no further payments will be made in respect of such Note
held by such beneficial owner.

(15) Reliance on Representations, etc. The purchaser acknowledges that the Issuers, the Initial
Purchasers and the Trustee will rely upon the truth and accuracy of the foregoing
acknowledgments, representations and agreements and agrees that, if any of the acknowledgments,
representations or warranties made or deemed to have been made by it in connection with its
purchase of Notes are no longer accurate, the purchaser will promptly notify the Issuers, the Initial
Purchasers and the Trustee.

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

(17) USA PATRIOT Act. To the extent applicable to the Issuers, the Issuers may impose additional
transfer restrictions to comply with the USA PATRIOT Act and other similar laws or regulations,
and each beneficial owner of a Note is deemed to have agreed to comply with such transfer
restrictions. The Issuers shall notify the Trustee, the Note Registrar and the Share Registrar of any
such restrictions.

(18) Legend for Notes. The purchaser understands and agrees that a legend in substantially the
following form will be placed on each certificate representing any Regulation S Global Note:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE
SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE
SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER
JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED
ONLY (A) (1) TO A PERSON WHICH TAKES DELIVERY OF THIS NOTE (OR INTEREST
HEREIN) IN THE FORM OF A RESTRICTED NOTE AND WHOM THE SELLER
REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE
MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), PURCHASING
FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE
OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM
SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A OR (2) TO A NON-U.S.
PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF
REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), (B) IN
COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED
IN THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY
APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY
OTHER RELEVANT JURISDICTION.

NEITHER OF THE ISSUERS HAS BEEN REGISTERED UNDER THE INVESTMENT
COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"), NO
TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NONE
OF THE ISSUERS, THE TRUSTEE OR THE NOTE REGISTRAR WILL RECOGNIZE ANY
SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE
WHO IS A U.S. RESIDENT (WITHIN THE MEANING OF THE INVESTMENT COMPANY
ACT) BUT IS NOT A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A)
OF THE INVESTMENT COMPANY ACT AND RELATED RULES, A "KNOWLEDGEABLE
EMPLOYEE" WITH RESPECT TO EITHER OF THE ISSUERS (WITHIN THE MEANING OF
RULE 3c-5 UNDER THE INVESTMENT COMPANY ACT) OR A COMPANY EACH OF
WHOSE BENEFICIAL OWNERS IS A QUALIFIED PURCHASER OR A
KNOWLEDGEABLE EMPLOYEE (COLLECTIVELY, A "QUALIFIED PURCHASER")
TAKING DELIVERY OF THIS NOTE (OR INTEREST HEREIN) IN THE FORM OF A
RESTRICTED NOTE, (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING
EITHER OF THE ISSUERS TO REGISTER AS AN INVESTMENT COMPANY UNDER THE
INVESTMENT COMPANY ACT OR (C) OTHER THAN IN THE CASE OF A TRANSFEREE
WHO ACQUIRES AN INTEREST IN A REGULATION S GLOBAL NOTE AFTER THE END
OF THE DISTRIBUTION COMPLIANCE PERIOD IN AN OFFSHORE TRANSACTION
EFFECTED IN ACCORDANCE WITH RULE 904 OF REGULATION S, SUCH TRANSFER
WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. RESIDENT THAT IS A FLOW-
THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT
VEHICLE (EACH AS DEFINED IN THE INDENTURE) WHICH TAKES DELIVERY OF
THIS NOTE (OR INTEREST HEREIN) IN THE FORM OF A RESTRICTED NOTE.

IN ADDITION, NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE
MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE
ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE
THAT IS A U.S. RESIDENT AND IS (A) A DEALER DESCRIBED IN PARAGRAPH (a)(1)(ii)
OF RULE 144A WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS
THAN U.S.$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED
PERSONS OF THE DEALER OR (B) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D)
OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH
(a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS
INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE
FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN.

EACH ORIGINAL PURCHASER AND TRANSFEREE WILL BE DEEMED TO REPRESENT
AND WARRANT) THAT EITHER (A) IT IS NOT A PLAN, A GOVERNMENTAL OR
CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT
IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF
ERISA OR SECTION 4975 OF THE CODE, OR AN ENTITY WHICH IS DEEMED TO HOLD
THE ASSETS OF SUCH A PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, OR (B)
ITS PURCHASE AND OWNERSHIP OF SUCH NOTE WILL NOT RESULT IN A NON-
EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION
4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN,
ANY SUCH SIMILAR U.S. FEDERAL, STATE OR LOCAL LAW).

EACH PURCHASER OF THIS NOTE WILL BE DEEMED TO HAVE MADE THE
APPLICABLE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THIS LEGEND.
THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY NOT BE HELD AT ANY
TIME BY A U.S. PERSON WHO IS NOT A QUALIFIED PURCHASER. THIS NOTE OR
ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON WHO
TAKES DELIVERY IN THE FORM OF AN INTEREST IN A RESTRICTED NOTE OR (IN
CERTAIN LIMITED CIRCUMSTANCES) A DEFINITIVE NOTE ONLY (IN THE CASE OF
AN INTEREST IN A RESTRICTED GLOBAL NOTE) IN ACCORDANCE WITH
APPLICABLE PROCEDURES (AS DEFINED IN THE INDENTURE) AND (IN THE CASE OF
A DEFINITIVE NOTE) UPON RECEIPT BY THE NOTE REGISTRAR OF A TRANSFER
CERTIFICATE BY THE TRANSFEROR AND THE TRANSFEREE SUBSTANTIALLY IN
THE FORM SPECIFIED IN THE INDENTURE.

THIS NOTE (OR AN INTEREST HEREIN) MAY NOT BE TRANSFERRED UNLESS, AFTER
GIVING EFFECT TO THE TRANSFER, THE TRANSFEREE IS HOLDING A NOTE WITH
AN ORIGINAL PRINCIPAL AMOUNT WHICH IS EQUAL TO U.S.$500,000 OR INTEGRAL
MULTIPLES OF U.S.$1,000 IN EXCESS THEREOF.

TO THE EXTENT APPLICABLE TO THE ISSUERS, THE ISSUERS MAY IMPOSE
ADDITIONAL TRANSFER RESTRICTIONS TO COMPLY WITH THE USA PATRIOT ACT
OR OTHER SIMILAR LAWS AND REGULATIONS, AND EACH BENEFICIAL OWNER OF
A NOTE AGREES TO COMPLY WITH SUCH TRANSFER RESTRICTIONS.

THE PURCHASER OF THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN WILL BE
DEEMED TO UNDERSTAND AND AGREE THAT IF ANY PURPORTED TRANSFER OF
THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN TO A PURCHASER DOES NOT
COMPLY WITH THE REQUIREMENTS SET FORTH IN THIS NOTE OR THE INDENTURE,
THEN THE PURPORTED TRANSFEROR OF THIS NOTE OR BENEFICIAL INTEREST
HEREIN SHALL BE REQUIRED TO CAUSE THE PURPORTED TRANSFEREE TO
SURRENDER THE TRANSFERRED NOTE OR ANY BENEFICIAL INTEREST THEREIN IN
RETURN FOR A REFUND OF THE CONSIDERATION PAID THEREFOR BY SUCH
TRANSFEREE (TOGETHER WITH INTEREST THEREON) OR TO CAUSE THE
PURPORTED TRANSFEREE TO DISPOSE OF SUCH NOTE OR BENEFICIAL INTEREST
PROMPTLY IN ONE OR MORE OPEN MARKET SALES TO ONE OR MORE PERSONS
EACH OF WHOM SATISFIES THE REQUIREMENTS OF THE REPRESENTATIONS,
WARRANTIES AND COVENANTS SET FORTH IN THIS LEGEND, AND SUCH
PURPORTED TRANSFEROR SHALL TAKE, AND SHALL CAUSE SUCH TRANSFEREE
TO TAKE, ALL FURTHER ACTION NECESSARY OR DESIRABLE, IN THE JUDGMENT
OF THE ISSUER, TO ENSURE THAT SUCH NOTE OR ANY BENEFICIAL INTEREST
HEREIN IS HELD BY PERSONS IN COMPLIANCE THEREWITH. ANY TRANSFER IN
VIOLATION OF THE FOREGOING PROVISIONS OF THIS NOTE OR THE INDENTURE
WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT
OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING
ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE TRUSTEE OR ANY
INTERMEDIARY.

The purchaser understands and agrees that a legend in substantially the following form will be placed on
each certificate representing any Restricted Global Note:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE
SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE
SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER
JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED
ONLY (A) (1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A
"QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER
THE SECURITIES ACT ("RULE 144A"), PURCHASING FOR ITS OWN ACCOUNT, TO
WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS
BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT
REGISTRATION PROVIDED BY RULE 144A OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER RELEVANT JURISDICTION.

NEITHER OF THE ISSUERS HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NONE OF THE ISSUERS, THE TRUSTEE OR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. RESIDENT (WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT) BUT IS NOT A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT AND RELATED RULES, A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER (WITHIN THE MEANING OF RULE 3c-5 UNDER THE INVESTMENT COMPANY ACT) OR A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A QUALIFIED PURCHASER OR A KNOWLEDGEABLE EMPLOYEE (COLLECTIVELY, A "QUALIFIED PURCHASER") TAKING DELIVERY OF THIS NOTE (OR INTEREST HEREIN) IN THE FORM OF A RESTRICTED NOTE, (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE ISSUERS TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OR (C) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. RESIDENT THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE) WHICH TAKES DELIVERY OF THIS NOTE (OR INTEREST HEREIN) IN THE FORM OF A RESTRICTED NOTE.

IN ADDITION, NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS (A) A DEALER DESCRIBED IN PARAGRAPH (a)(1)(ii) OF RULE 144A WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER OR (B) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN.

EACH ORIGINAL PURCHASER AND TRANSFEREE WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER (A) IT IS NOT A PLAN, A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, OR (B) ITS PURCHASE AND OWNERSHIP OF SUCH NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, ANY SUCH SIMILAR U.S. FEDERAL, STATE OR LOCAL LAW).

EACH PURCHASER OF THIS NOTE WILL BE DEEMED TO HAVE MADE THE APPLICABLE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THIS LEGEND.
THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN A REGULATION S NOTE OR (IN CERTAIN LIMITED CIRCUMSTANCES) A DEFINITIVE NOTE ONLY (IN THE CASE OF AN INTEREST IN A REGULATION S GLOBAL NOTE) IN ACCORDANCE WITH APPLICABLE PROCEDURES (AS DEFINED IN THE INDENTURE) AND (IN THE CASE OF A DEFINITIVE NOTE) UPON RECEIPT BY THE NOTE REGISTRAR OF A TRANSFER CERTIFICATE BY THE TRANSFEROR AND THE TRANSFEREE SUBSTANTIALLY IN THE FORM SPECIFIED IN THE INDENTURE.

THIS NOTE (OR AN INTEREST HEREIN) MAY NOT BE TRANSFERRED UNLESS, AFTER GIVING EFFECT TO THE TRANSFER, THE TRANSFEREE IS HOLDING A NOTE WITH AN ORIGINAL PRINCIPAL AMOUNT WHICH IS EQUAL TO U.S.$500,000 OR INTEGRAL MULTIPLES OF U.S.$1,000 IN EXCESS THEREOF.

TO THE EXTENT APPLICABLE TO THE ISSUERS, THE ISSUERS MAY IMPOSE ADDITIONAL TRANSFER RESTRICTIONS TO COMPLY WITH THE USA PATRIOT ACT OR OTHER SIMILAR LAWS AND REGULATIONS, AND EACH BENEFICIAL OWNER OF A NOTE AGREES TO COMPLY WITH SUCH TRANSFER RESTRICTIONS.

THE PURCHASER OF THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN WILL BE DEEMED TO UNDERSTAND AND AGREE THAT IF ANY PURPORTED TRANSFER OF THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN TO A PURCHASER DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH IN THIS NOTE OR THE INDENTURE, THEN THE PURPORTED TRANSFEROR OF THIS NOTE OR BENEFICIAL INTEREST HEREIN SHALL BE REQUIRED TO CAUSE THE PURPORTED TRANSFEREE TO SURRENDER THE TRANSFERRED NOTE OR ANY BENEFICIAL INTEREST THEREIN IN RETURN FOR A REFUND OF THE CONSIDERATION PAID THEREFOR BY SUCH TRANSFEREE (TOGETHER WITH INTEREST THEREON) OR TO CAUSE THE PURPORTED TRANSFEREE TO DISPOSE OF SUCH NOTE OR BENEFICIAL INTEREST PROMPTLY IN ONE OR MORE OPEN MARKET SALES TO ONE OR MORE PERSONS EACH OF WHOM SATISFIES THE REQUIREMENTS OF THE REPRESENTATIONS, WARRANTIES AND COVENANTS SET FORTH IN THIS LEGEND, AND SUCH PURPORTED TRANSFEROR SHALL TAKE, AND SHALL CAUSE SUCH TRANSFEREE TO TAKE, ALL FURTHER ACTION NECESSARY OR DESIRABLE, IN THE JUDGMENT OF THE ISSUER, TO ENSURE THAT SUCH NOTE OR ANY BENEFICIAL INTEREST THEREIN IS HELD BY PERSONS IN COMPLIANCE THEREWITH. ANY TRANSFER IN VIOLATION OF THE FOREGOING PROVISIONS OF THIS NOTE OR THE INDENTURE WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE TRUSTEE OR ANY INTERMEDIARY.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THIS NOTE OR THE INDENTURE, EITHER OF THE ISSUERS DETERMINES THAT ANY HOLDER OF THIS RESTRICTED NOTE OR AN INTEREST HEREIN (I) IS A U.S. PERSON AND (II) IS NOT BOTH A QUALIFIED INSTITUTIONAL BUYER (OR, IN RESPECT OF CERTAIN ORIGINAL PURCHASERS, AN INSTITUTIONAL ACCREDITED INVESTOR) AND A QUALIFIED PURCHASER, THE ISSUERS SHALL REQUIRE, BY NOTICE TO SUCH HOLDER, AS THE CASE MAY BE, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS NOTE (OR INTEREST HEREIN) TO A PERSON THAT IS (1) A NON-U.S. PERSON IN A TRANSFER FOR AN INTEREST IN A REGULATION S NOTE OR (2) A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE SHALL, AND IS
HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE ITS INTEREST IN THIS NOTE TO BE TRANSFERRED IN A COMMERCIAL REASONABLE SALE (CONDUCTED BY AN INVESTMENT BANK SELECTED BY THE TRUSTEE WITH THE CONSENT OF THE COLLATERAL MANAGER IN ACCORDANCE WITH SECTION 9-610(b) OF THE UCC AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUERS AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS (1) A NON-U.S. PERSON IN A TRANSFER FOR AN INTEREST IN A REGULATION S NOTE OR (2) BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS NOTE, AND THE INTEREST IN THIS NOTE SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE NOTEHOLDERS.

Investor Representations on Resale. Except as provided in the remainder of this paragraph, each transferee of a Note will be required to deliver to the Issuers, the Trustee and the Note Registrar a duly executed transferee certificate in the form of the relevant exhibit attached to the Indenture and such other certificates and other information as the Issuer, the Co-Issuer, the Trustee or the Note Registrar may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular. An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification, provided that such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and is effected, prior to the expiration of the Distribution Compliance Period, through Euroclear or Clearstream or, after the expiration of the Distribution Compliance Period, through a clearing system other than Euroclear or Clearstream, in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures. An owner of a beneficial interest in a Restricted Global Note may transfer such interest in the form of a beneficial interest in such Restricted Global Note without the provision of written certification if the Transferee is a Qualified Institutional Buyer that is also a Qualified Purchaser.

Pursuant to such transferee certificate, (a) the transferee will acknowledge, represent to and agree with the Issuers, the Trustee and the Note Registrar as to the matters set forth in each of paragraphs (1) through (18) above (other than paragraphs (5), (6) and (8) above) as if each reference therein to "the purchaser" were instead a reference to the transferee and (b) further represents to and agrees with the Issuers, the Trustee and the Note Registrar as follows:

(1) In the case of a transferee who takes delivery of Restricted Notes, it (a) is a U.S. Person that is both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser; (b) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee; (c) is aware that the sale to it is being made in reliance on Rule 144A; and (d) is acquiring such Notes for its own account. In the case of a transferee who takes delivery of Regulation S Notes, it (u) is a non-U.S. Person acquiring such Notes in an offshore transaction in accordance with Rule 904 of Regulation S, (v) is acquiring such Notes for its own account, (w) is not acquiring, and has not entered into any discussions regarding its acquisition of, such Notes while it is in the United States or any of its territories or possessions, (x) understands that such Notes are being sold without registration under the Securities Act by reason of an exemption that depends, in part, on the accuracy of these representations, (y) understands that such Notes may not, absent an applicable exemption, be transferred without registration and/or qualification under the Securities Act and applicable state securities laws and the laws of any other applicable jurisdiction, and (z) understands that prior to the end of the Distribution Compliance Period, interests in a Regulation S Global Note may only be held through Euroclear or Clearstream.

(2) It acknowledges that the foregoing acknowledgements, representations and agreements will be relied upon by the Issuers, the Trustee and the Note Registrar for the purpose of determining its eligibility to purchase Notes. It agrees to provide, if requested, any additional information that may be required to substantiate its status as a Qualified Institutional Buyer or under the exception
provided pursuant to Section 3(c)(7) of the Investment Company Act, to determine compliance with ERISA and/or Section 4975 of the Code or to otherwise determine its eligibility to purchase Notes.
LISTING AND GENERAL INFORMATION

1. Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for the prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. Such approval relates only to Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. Copies of this Offering Circular, the Issuer Charter, the Preference Share Paying Agency Agreement, the Management Agreement, the Note Purchase Agreement, the Administration Agreement, the Interest Rate Swap Agreement, each Synthetic Security, the Initial Investment Agreement, the Certificate of Incorporation and By-laws of the Co-Issuer and the Indenture will be available for inspection at the registered office of the Issuer and at the office of the Irish Paying Agent, where electronic copies thereof may be obtained, free of charge, upon request for the life of this document.

2. Copies of the Issuer Charter, the Certificate of Incorporation and By-laws of the Co-Issuer, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Notes and the resolutions of the Board of Directors of the Co-Issuer authorizing the issuance of the Notes, the Indenture and the Management Agreement may be obtained free of charge upon request within 30 days of the date of this Offering Circular at the office of the Trustee on behalf of the Issuer.

3. Each of the Issuers represents that there has been no material adverse change in its financial position since its date of incorporation. The Issuers are not, and have not since incorporation been, involved in any litigation, governmental or arbitration proceedings relating to claims in amounts which may have or have had a material effect on the Issuers in the context of the issue of the Notes, nor, so far as either of the Issuers is aware, is any such litigation or arbitration involving it pending or threatened.

4. Each of the Issuers represents that there has been no material adverse change in its financial position since its date of incorporation. The Issuers are not, and have not since incorporation been, involved in any litigation, governmental or arbitration proceedings relating to claims in amounts which may have or have had a material effect on the Issuers in the context of the issue of the Notes, nor, so far as either of the Issuers is aware, is any such litigation or arbitration involving it pending or threatened.

5. The issuance of the Notes was authorized by the Board of Directors of the Issuer by resolutions passed on or before the Closing Date. The issuance of the Notes will be authorized by the Board of Directors of the Co-Issuer by resolutions to be passed on or before the Closing Date. Since incorporation, neither the Issuer nor the Co-Issuer has commenced trading or established any accounts, except as disclosed herein or accounts used to hold amounts received with respect to share capital and fees. It is estimated that the fees payable in respect of the listing of the Notes on the Irish Stock Exchange will be approximately $7,500 consisting of Irish Stock Exchange listing fees, listing agent sponsor fees and fees to be annually paid to the Irish Paying Agent.

6. The Notes sold in offshore transactions in reliance on Regulation S under the Securities Act and represented by the Global Notes have been accepted for clearance through Clearstream and Euroclear under the Common Codes indicated below. The CUSIP Numbers and International Securities Identification Numbers (ISIN) for the Notes represented by Regulation S Global Notes and Restricted Global Notes are as indicated on the following page.
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LEGAL MATTERS

Certain legal matters with respect to the Notes and New York law will be passed upon for the Issuer by Allen & Overy LLP. Allen & Overy LLP will also act as counsel to the Initial Purchasers. Cadwalader, Wickersham & Taft LLP will act as counsel to the Collateral Manager. Certain matters with respect to Cayman Islands corporate law and tax law will be passed upon for the Issuer by Maples and Calder.
## SCHEDULE A

### LIST OF UNDERLYING ASSETS

<table>
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<tr>
<th>Security</th>
<th>CUSIP</th>
<th>Current Face</th>
<th>Legal Maturity</th>
<th>Moody's Type</th>
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<th>Fixed Coupon</th>
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<td>590210AP5</td>
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<td>Legal Maturity</td>
<td>Moody's Type</td>
<td>Fixed/Float</td>
<td>Fixed Coupon</td>
<td>Floating Spread/ CDS Premium</td>
<td>Explicit S&amp;P Rating</td>
<td>Explicit Moody's Rating</td>
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<td>Fixed Coupon</td>
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<td>Explicit S&amp;P Rating</td>
<td>Explicit Moody's Rating</td>
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SCHEDULE B

AUCTION CALL REDEMPTION – AUCTION PROCEDURES

The following sets forth the auction procedures (the "Auction Procedures") to be followed in connection with a sale effected pursuant to the Indenture.

I. Pre-Auction Process

• The Auction Agent will initiate the Auction Procedures at least 24 Business Days prior to each Auction Date by:
  
  • with the assistance of the Collateral Manager, preparing a list containing the names of the issuer and guarantor (if any), the par amount and the CUSIP number (if any) with respect to each Underlying Asset and such other information as shall be notified to the Auction Agent by the Collateral Manager;
  
  • with the assistance of the Collateral Manager, preparing a list of the constituents of each subpool which shall be based upon the Collateral Manager's good faith determination of the composition of subpools that will maximize disposition proceeds; provided that the maximum number of subpools shall be eight; and
  
  • directing the Trustee to send the lists prepared pursuant to clauses (i) and (ii) above to the Qualified Bidders identified on the then-current Qualified Bidder List (the "Listed Bidders") and requesting bids on the Auction Date.
  
  • The general solicitation package which the Auction Agent shall deliver to the Listed Bidders will include: (i) a form of a purchase agreement (which shall, among other things, provide that (A) upon satisfaction of all conditions precedent therein, the purchaser is irrevocably obligated to acquire, and the Issuer is irrevocably obligated to dispose of, the Underlying Assets (or relevant subpool, as the case may be) on the date and on the terms and conditions set forth therein and (B) if the subpools are to be sold to more than one bidder, the consummation of the purchase of each subpool must occur simultaneously and the closing of each purchase is conditional on the closing of each of the other purchases); (ii) the minimum purchase price; (iii) a formal bidsheet (which shall permit the relevant bidder to bid for all of the Underlying Assets, any subpool or separately for each of the subpools) including a representation from the bidder that it is eligible to acquire all of the Underlying Assets; (iv) a detailed timetable; and (v) copies of all transfer documents (including transfer certificates and subscription agreements which a bidder must execute pursuant to the Underlying Instruments and a list of the requirements which the bidder must satisfy under the Underlying Instruments (i.e., Qualified Institutional Buyer, Qualified Purchaser, etc.)).

  • The Auction Agent shall send solicitation packages to all Listed Bidders at least 15 Business Days before the Auction Date. No later than 10 Business Days before the Auction Date, Listed Bidders may submit written due diligence questions relating to the legal documentation and other information contained in the general solicitation package (including comments on the draft purchase agreement to be used in connection with the Auction (the "Auction Purchase Agreement")) to the Collateral Manager; provided that the Collateral Manager shall only be obligated to answer questions relating to the Collateral to the extent that it is able to do so by reference to information which it is required to provide under the Management Agreement. The Collateral Manager shall be solely responsible for (i) responding to all relevant questions and/or comments submitted to it in accordance with the foregoing and (ii) distributing the questions, answers and revised final Auction Purchase Agreement to all Listed Bidders at least five Business Days prior to the Auction Date.
II. Auction Process

• If it is not the Auction Agent, the Collateral Manager or its Affiliates will be allowed to bid in the Auction if it deems appropriate, but will not be required to do so.

• On the Auction Date, all bids will be due by facsimile to the offices of the Auction Agent by 11:00 a.m., New York City time, with the winning bidder to be notified by 2:00 p.m., New York City time. All bids from Listed Bidders will be due on the bid sheet contained in the solicitation package. Each bid shall be for the purchase and delivery to one purchaser of (i) all (but not less than all) of the Underlying Assets or (ii) all (but not less than all) of the Underlying Assets that constitute the components of one or more subpools.

• If the Auction Agent receives fewer than two bids from Listed Bidders to purchase all of the Underlying Assets or to purchase each subpool, the Auction Agent shall decline to consummate the sale.

• Subject to clause (c), the Auction Agent shall identify as the winning bidder the bid or bids that result in the Highest Auction Price (in excess of the minimum purchase price) from one or more Listed Bidders.

• Upon notification to the winning bidder(s), the winning bidder (or, if the Highest Auction Price requires the sale of subpools to more than one bidder, each winning bidder) will be required to deliver to the Auction Agent a signed counterpart of the Auction Purchase Agreement no later than 4:00 p.m. New York City time on the Auction Date. The winning bidder (or, if the Highest Auction Price requires the sale of subpools to more than one bidder, each winning bidder) shall be required to pay the full purchase price in cash prior to the sixth Business Day following the relevant Auction Date, at which time all monies will be transferred into the Collection Account. If payment in full of the purchase price is not made when due (or, if the subpools are to be sold to more than one bidder, if any bidder fails to make payment of the purchase price when due), the Trustee on behalf of the Issuer shall decline to consummate the sale of each subpool and shall give notice (in accordance with the Indenture) that the Auction Call Redemption will not occur.

• "Highest Auction Price" means, with respect to an Auction Call Redemption, the greater of (a) the highest price bid by any Listed Bidder for all of the Underlying Assets and (b) the sum of the highest prices bid by one or more Listed Bidders for each subpool. In each case, the price bid by a Listed Bidder shall be the Dollar amount which the Auction Agent certifies to the Trustee based on the Auction Agent's review of the bids, which certification shall be binding and conclusive.

• "Qualified Bidder" means (a) a Person whose unsecured debt obligations have been assigned, or whose obligations under the bid letter and resulting purchase agreement will be guaranteed by a Person whose unsecured debt obligations have been assigned, a rating equivalent to the highest rating on the Notes or an unsecured short-term rating of "A-1+" by Standard & Poor's and "F-1" by Fitch, (b) a Person who the Auction Agent believes to be an active purchaser of Asset-Backed Securities with the financial resources available to it to pay the purchase price of the Underlying Assets in a timely fashion, or (c) the Collateral Manager or any of its Affiliates; provided that with respect to the Synthetic Securities entered into with the First Synthetic Security Counterparty, the Issuer may, upon reasonable notice to the First Synthetic Security Counterparty, transfer to an Eligible Counterparty, as such term is defined in the schedule to the Master Agreement, or to any other counterparty, in regard to which the First Synthetic Security Counterparty will have the right to approve or disapprove of any novation of such Synthetic Security by the Issuer.
## SCHEDULE C

### STANDARD & POOR’S RATING

The Standard & Poor's Rating of any Underlying Asset (which shall mean with respect to a Synthetic Security, the related Reference Obligation) will be determined as follows:

(i) if such Underlying Asset is rated either publicly or privately (with appropriate consents) by Standard & Poor's, the Standard & Poor's Rating shall be such rating, or, if such Underlying Asset is not rated by Standard & Poor's, but the Issuer or the Collateral Manager on behalf of the Issuer has requested that Standard & Poor's perform a credit estimate in respect of such Underlying Asset, the Standard & Poor's rating shall be the rating so assigned by Standard & Poor's, provided that pending receipt from Standard & Poor's of such rating, such Underlying Asset shall have a Standard & Poor's Rating of "CCC-" if the Collateral Manager believes that such estimate will be at least "CCC-"; and

(ii) with respect to any other Underlying Asset, as set forth below.

#### Part 1 - Standard & Poor's Ratings

Asset classes are eligible for notching if they are not first loss tranches or combination securities. If the security is publicly rated by two agencies, notch down as shown below based on the lowest rating. If the security is publicly rated only by one agency, then notch down what is shown below plus one more notch. The Aggregate Principal/Notional Balance of Underlying Assets the Standard & Poor's Rating of which is based on a Fitch rating or a Moody's rating may not exceed 20% of the Aggregate Principal/Notional Balance of all Underlying Assets, the balance of which must be rated by Standard & Poor's or assigned Standard & Poor's rating estimates.

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<th>Issued prior to 8/1/01</th>
<th>Issued after 8/1/01</th>
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<tbody>
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<td>Current rating is:</td>
<td>Current rating is:</td>
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<tr>
<td>Inv. Grade</td>
<td>Non Inv. Grade</td>
</tr>
<tr>
<td>1. CONSUMER ABS</td>
<td>2. COMMERCIAL ABS</td>
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<td>Automobile Loan Receivable Securities</td>
<td>Cargo Securities</td>
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<tr>
<td>Automobile Lease Receivable Securities</td>
<td>Equipment Leasing Securities</td>
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<tr>
<td>Car Rental Receivables Securities</td>
<td>Aircraft Leasing Securities</td>
</tr>
<tr>
<td>Credit Card Securities</td>
<td>Small Business Loan Securities</td>
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<tr>
<td>Healthcare Securities</td>
<td>Restaurant and Food Services Securities</td>
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<tr>
<td>Student Loan Securities</td>
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<tr>
<td>-1</td>
<td>-1</td>
</tr>
<tr>
<td>-2</td>
<td>-2</td>
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<tr>
<td>2. COMMERCIAL ABS</td>
<td>3. Non-RE-REMIC RMBS</td>
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<td>Cargo Securities</td>
<td>Manufactured Housing Loan Securities</td>
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<td>Equipment Leasing Securities</td>
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<td>Aircraft Leasing Securities</td>
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<tr>
<td>Small Business Loan Securities</td>
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<tr>
<td>Restaurant and Food Services Securities</td>
<td></td>
</tr>
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<td>-1</td>
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</tr>
<tr>
<td>-2</td>
<td>-2</td>
</tr>
<tr>
<td>Manufactured Housing Loan Securities</td>
<td>CMBS – Conduit</td>
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<tr>
<td>CMBS - Credit Tenant Lease</td>
<td>CMBS - Large Loan</td>
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<tr>
<td>CMBS – Single Borrower</td>
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<tr>
<td>-1</td>
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C-1
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<td>Non Inv. Grade</td>
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<td>5. CBO/CLO CASHFLOW SECURITIES</td>
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<td>Cash Flow CBO – at least 80% Investment</td>
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<td>Grade Corporate</td>
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<td>Cash Flow CLO – at least 80% Investment</td>
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<td>Grade Corporate</td>
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<td>6. REITs</td>
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<td>REIT – Retail</td>
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<td>REIT – Hospitality</td>
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<td>REIT – Office</td>
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<td>REIT – Industrial</td>
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<td>REIT – Healthcare</td>
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<td>REIT – Self Storage</td>
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<td>REIT – Mixed Use</td>
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<td>Residenial &quot;B/C&quot;</td>
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<td>Home equity loans</td>
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<td>9. REAL ESTATE OPERATING COMPANIES</td>
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Part 2 - Standard & Poor's Asset Backed Categories

Each of the following categories of asset backed security shall constitute a separate asset backed class. Securities not included in any of these categories shall be assigned by Standard & Poor's.

Structured Finance Sectors

1. ABS Consumer
2. ABS Commercial
3. CDOs
4. CMBS Diversified – Conduit and CTL
5. CMBS – Large Loan, Single Borrower and Single Property
6. REITs
7. RMBS A
8. RMBS B&C, HELs, HELOCs and Tax Lien
9. Manufactured Housing
10. Project Finance
12. Monoline/FER Guaranteed
13. Non-FER Company Guaranteed
14. FFELP Student Loan (Over 70% FFELP)

Part 3 - Standard & Poor's Asset Classes Not Eligible to be Notched

The following asset classes are not eligible to be notched. Credit estimates must be performed.

Asset Type

1. Non-U.S. Structured Finance Securities
2. Guaranteed Securities
3. CDOs of Structured Finance and Real Estate Securities
4. CBOs of CDOs
5. CLOs of Distressed Debt
6. Mutual Fund Fee Securities
7. Catastrophe Bonds
8. First Loss Tranches of any securitization
9. Synthetics
10. Synthetic CBOs
11. Combination Securities
12. Re-REMICs
13. Market value CDOs
14. Net Interest Margin Securities (NIMs)
15. Structured Settlement Obligations
16. Any asset class not listed on Part 1 above
SCHEDULE D

MOODY'S RATING AND MOODY'S WEIGHTED AVERAGE RATING

The "Weighted Average Rating" on any Measurement Date is the number determined by dividing (i) the sum of the series of products obtained for Underlying Assets (other than Underlying Asset which the Asset Manager reasonably believes will default with respect to payment when next due and any Defaulted Securities) by multiplying the Principal/Notional Balance on such Measurement Date of each such Underlying Asset by its respective Moody's Rating Factor on such Measurement Date by (ii) the sum of the Aggregate Principal/Notional Balance on such Measurement Date of all Underlying Assets that are not Underlying Assets which the Asset Manager reasonably believes will default with respect to payment when next due and any Defaulted Securities.

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

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<tr>
<th>Moody's Rating</th>
<th>Moody's Rating Factor</th>
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</thead>
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<td>Caa3</td>
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<tr>
<td>Ca or lower</td>
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</table>

The "Moody's Rating" of any Underlying Asset (which shall mean with respect to a Synthetic Security, the related Reference Obligation) will be determined as follows:

with respect to any Asset-Backed Security, for determining the Moody's Rating as of any date of determination:

(i) if such Asset-Backed Security is publicly rated by Moody's, the Moody's Rating shall be such rating, or, if such Underlying Asset is not publicly rated by Moody's, but the Issuer or the Collateral Manager on behalf of the Issuer has requested that Moody's assign a rating to such Underlying Asset, the Moody's Rating shall be the rating so assigned by Moody's;

(ii) if such Asset-Backed Security is not publicly rated by Moody's, then the Moody's Rating of such Asset-Backed Security may be determined using any one of the methods below:

(A) with respect to any ABS type Residential Security not publicly rated by Moody's, if such ABS type Residential Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned
by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA"; (2) two rating
subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating
assigned by Standard & Poor's is below "AAA" but above "BB+" and (3) three rating
subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating
assigned by Standard & Poor's is below "BBB-"; and

(B) with respect to any other type of Asset-Backed Securities, pursuant to any
method specified by Moody's;

provided that

(V) the rating of either Rating Agency used to determine the Moody's Rating pursuant to any of clauses (i) or
(ii) above shall be a public, non-exclusive rating (but not a rating estimate) that addresses the obligation of
the obligor to pay principal of and interest on the relevant Underlying Asset in full and is monitored on an
ongoing basis by the relevant Rating Agency;

(W) the Aggregate Principal/Notional Balance of Underlying Assets the Moody's Rating of which is based on a
Standard & Poor's Rating may not exceed 20% of the Aggregate Principal/Notional Balance of all
Underlying Assets, the balance of which must be rated by Moody's or assigned Moody's rating estimates,

(X) the ratings of no more than 10% of the Aggregate Principal/Notional Balance of all Underlying Assets may
be assigned rating factors derived via notching from single-rated instruments,

(Y) with respect to any one Rating Agency, the single-rated notched bucket may be no larger than 7.5% of the
Aggregate Principal/Notional Balance of all Underlying Assets and

(Z) if an Underlying Asset

(A) is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such
Underlying Asset shall be two rating subcategories above the Moody's Rating applicable to such
Underlying Asset immediately prior to such Underlying Asset being placed on such watch list, if
such Underlying Asset is rated below "Aaa" by Moody's unless rated "Aa1". in which case only
one subcategory above; and

(B) is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to
such Underlying Asset shall be (i) one rating subcategory below the Moody's Rating applicable to
such Underlying Asset immediately prior to such Underlying Asset being placed on such watch
list, if such Underlying Asset is rated "Aaa" by Moody's or (ii) two rating subcategories below the
Moody's Rating applicable to such Underlying Asset immediately prior to such Underlying Asset
being placed on such watch list, if such Underlying Asset is rated below "Aaa" by Moody’s; and

provided further that, with respect to notched ratings on certain asset classes, the Moody's Rating shall be
determined in conjunction with the notching conventions set forth below.
Standard & Poor's

The following notching conventions are appropriate for Standard & Poor's-only rated tranches. (The figures represent the number of notches to be subtracted from the Standard & Poor's rating. For example, a "1" applied to an Standard & Poor's rating of BBB implies a Moody's rating of Baa3.)

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>AAA to AA-</th>
<th>A+ to BBB-</th>
<th>Below BBB-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto loan</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Car Rental Fleet</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>CDO Domestic Corporate Debt</td>
<td>No notching permitted</td>
<td>No notching permitted</td>
<td>No notching permitted</td>
</tr>
<tr>
<td>CDO Structured Product</td>
<td>No notching permitted</td>
<td>No notching permitted</td>
<td>No notching permitted</td>
</tr>
<tr>
<td>Consumer Asset-Backed</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Credit Card</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Equipment Lease</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Manufactured Housing</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Small Business Loan</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Student Loan</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Residential Mortgage Related (note that rating category groups differ here from above)

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>AAA</th>
<th>AA+ to BBB-</th>
<th>Below BBB-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jumbo A</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Alt-A or mixed pools</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>HEL (including Residential A and Residential B&amp;C)</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Fitch

The following notching conventions are with respect to Fitch:

<table>
<thead>
<tr>
<th>Residential Mortgage Related</th>
<th>AAA</th>
<th>AA+ to BBB-</th>
<th>Below BBB-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jumbo A</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Alt-A or mixed pools</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>HEL (including Residential A and Residential B&amp;C)</td>
<td>No notching</td>
<td>No notching</td>
<td>No notching</td>
</tr>
</tbody>
</table>

For dual-rated Jumbo A or Alt-A transactions, take the lower of the two ratings on the security, apply the appropriate single-rated notching guideline from above, then go up by 1/2 notch. For dual-rated HEL (including Residential A and Residential B&C) transactions, apply the Standard & Poor's-only rated tranche notching guidelines as set forth above.
The following CMBS notching conventions are with respect to S&P and Fitch:

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>Tranche Rated by Fitch and S&amp;P; no tranche in deal rated by Moody’s</th>
<th>Tranche Rated by Fitch and/or S&amp;P; at least one other tranche in deal rated by Moody’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduit*</td>
<td>2 notches from lower of Fitch/S&amp;P</td>
<td>1.5** notches from lower of Fitch/S&amp;P</td>
</tr>
<tr>
<td>Credit Tenant Lease</td>
<td>Follow corporate notching practice</td>
<td>Follow corporate notching practice</td>
</tr>
<tr>
<td>Large Loan</td>
<td>No notching permitted</td>
<td></td>
</tr>
</tbody>
</table>

* For this purpose, conduits are defined as fixed rate, sequential pay, multi-borrower transactions having a Herfindahl score of 40 or higher at the loan level with all collateral (conduit loans, A notes, large loans, CTLs and any other real estate collateral) factored in.

** A 1.5 notch haircut implies, for example, that if the S&P/Fitch rating were BBB, then the Moody’s rating factor would be halfway between the Baa3 and the Ba1 rating factors.
## SCHEDULE E

### STANDARD & POOR'S RECOVERY MATRIX

**A.** If the Underlying Asset (which shall mean with respect to a Synthetic Security, the related Reference Obligation) is an Asset-Backed Security (other than a CMBS Security) and is the senior-most tranche of securities issued by the issuer of such Underlying Asset:

<table>
<thead>
<tr>
<th>Initial Standard &amp; Poor's Rating of the Underlying Asset at Issuance</th>
<th>Liability Rating assigned by Standard &amp; Poor's</th>
<th>AAA</th>
<th>AA+</th>
<th>A+</th>
<th>BBB+</th>
<th>BB+</th>
<th>B+</th>
<th>CCC+</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td></td>
<td>80.0%</td>
<td>85.0%</td>
<td>90.0%</td>
<td>90.0%</td>
<td>90.0%</td>
<td>90.0%</td>
<td>90.0%</td>
</tr>
<tr>
<td>AA+, AA, AA-</td>
<td></td>
<td>70.0%</td>
<td>75.0%</td>
<td>85.0%</td>
<td>90.0%</td>
<td>90.0%</td>
<td>90.0%</td>
<td>90.0%</td>
</tr>
<tr>
<td>A+, A, A-</td>
<td></td>
<td>60.0%</td>
<td>65.0%</td>
<td>75.0%</td>
<td>85.0%</td>
<td>90.0%</td>
<td>90.0%</td>
<td>90.0%</td>
</tr>
<tr>
<td>BBB+, BBB, BBB-</td>
<td></td>
<td>50.0%</td>
<td>55.0%</td>
<td>65.0%</td>
<td>75.0%</td>
<td>85.0%</td>
<td>85.0%</td>
<td>85.0%</td>
</tr>
</tbody>
</table>

**B.** If the Underlying Asset (which shall mean with respect to a Synthetic Security, the related Reference Obligation) is an Asset-Backed Security (other than a CMBS Security) and is not the senior-most tranche of securities issued by the issuer of such Underlying Asset:

<table>
<thead>
<tr>
<th>Initial Standard &amp; Poor's Rating of the Underlying Asset at Issuance</th>
<th>Liability Rating assigned by Standard &amp; Poor's</th>
<th>AAA</th>
<th>AA+</th>
<th>A+</th>
<th>BBB+</th>
<th>BB+</th>
<th>B+</th>
<th>CCC+</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td></td>
<td>65.0%</td>
<td>70.0%</td>
<td>80.0%</td>
<td>85.0%</td>
<td>85.0%</td>
<td>85.0%</td>
<td>85.0%</td>
</tr>
<tr>
<td>AA+, AA, AA-</td>
<td></td>
<td>55.0%</td>
<td>65.0%</td>
<td>75.0%</td>
<td>80.0%</td>
<td>80.0%</td>
<td>80.0%</td>
<td>80.0%</td>
</tr>
<tr>
<td>A+, A, A-</td>
<td></td>
<td>40.0%</td>
<td>45.0%</td>
<td>55.0%</td>
<td>65.0%</td>
<td>80.0%</td>
<td>80.0%</td>
<td>80.0%</td>
</tr>
<tr>
<td>BBB+, BBB, BBB-</td>
<td></td>
<td>30.0%</td>
<td>35.0%</td>
<td>40.0%</td>
<td>45.0%</td>
<td>50.0%</td>
<td>60.0%</td>
<td>70.0%</td>
</tr>
<tr>
<td>BB+, BB, BB-</td>
<td></td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>25.0%</td>
<td>35.0%</td>
<td>40.0%</td>
<td>50.0%</td>
</tr>
<tr>
<td>B+, B, B-</td>
<td></td>
<td>2.5%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>20.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>CCC+, CCC, CCC-</td>
<td></td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>2.5%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

**C.** If the Underlying Asset (which shall mean with respect to a Synthetic Security, the related Reference Obligation) is a CMBS Security:

<table>
<thead>
<tr>
<th>Initial Standard &amp; Poor's Rating of the Underlying Asset at Issuance</th>
<th>Liability Rating assigned by Standard &amp; Poor's</th>
<th>AAA</th>
<th>AA+</th>
<th>A+</th>
<th>BBB+</th>
<th>BB+</th>
<th>B+</th>
<th>CCC+</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td></td>
<td>80.0%</td>
<td>85.0%</td>
<td>90.0%</td>
<td>90.0%</td>
<td>90.0%</td>
<td>90.0%</td>
<td>90.0%</td>
</tr>
<tr>
<td>AA+, AA, AA-</td>
<td></td>
<td>70.0%</td>
<td>75.0%</td>
<td>85.0%</td>
<td>90.0%</td>
<td>90.0%</td>
<td>90.0%</td>
<td>90.0%</td>
</tr>
<tr>
<td>A+, A, A-</td>
<td></td>
<td>60.0%</td>
<td>65.0%</td>
<td>75.0%</td>
<td>85.0%</td>
<td>90.0%</td>
<td>90.0%</td>
<td>90.0%</td>
</tr>
<tr>
<td>BBB+, BBB, BBB-</td>
<td></td>
<td>45.0%</td>
<td>50.0%</td>
<td>55.0%</td>
<td>60.0%</td>
<td>65.0%</td>
<td>70.0%</td>
<td>75.0%</td>
</tr>
<tr>
<td>BB+, BB, BB-</td>
<td></td>
<td>35.0%</td>
<td>40.0%</td>
<td>45.0%</td>
<td>45.0%</td>
<td>50.0%</td>
<td>50.0%</td>
<td>50.0%</td>
</tr>
<tr>
<td>B+, B, B-</td>
<td></td>
<td>20.0%</td>
<td>25.0%</td>
<td>30.0%</td>
<td>35.0%</td>
<td>35.0%</td>
<td>40.0%</td>
<td>40.0%</td>
</tr>
<tr>
<td>CCC+, CCC, CCC-</td>
<td></td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>NR</td>
<td></td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
SCHEDULE F

MOODY’S RECOVERY RATE MATRIX

The recovery rate with respect to a Synthetic Security will be calculated using the related Reference Obligation.

ABS Type Diversified ABS Securities\(^{(1)}\):

<table>
<thead>
<tr>
<th>% of Underlying Capital Structure(^{(2)})</th>
<th>Initial Rating of Underlying Asset(^{(3)})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aaa</td>
</tr>
<tr>
<td>&gt;70%</td>
<td>85%</td>
</tr>
<tr>
<td>&lt;=70%, &gt;10%</td>
<td>75%</td>
</tr>
<tr>
<td>&lt;=10%</td>
<td>70%</td>
</tr>
</tbody>
</table>

ABS Type Diversified Residential Securities\(^{(4)}\):

<table>
<thead>
<tr>
<th>% of Underlying Capital Structure(^{(2)})</th>
<th>Initial Rating of Underlying Asset(^{(3)})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aaa</td>
</tr>
<tr>
<td>&gt;70%</td>
<td>85%</td>
</tr>
<tr>
<td>&lt;=70%, &gt;10%</td>
<td>75%</td>
</tr>
<tr>
<td>&lt;=10%, &gt;5%</td>
<td>65%</td>
</tr>
<tr>
<td>&lt;=5%, &gt;2%</td>
<td>55%</td>
</tr>
<tr>
<td>&lt;=2%</td>
<td>45%</td>
</tr>
</tbody>
</table>

ABS Type Undiversified ABS Securities\(^{(5)}\):

<table>
<thead>
<tr>
<th>% of Underlying Capital Structure(^{(2)})</th>
<th>Initial Rating of Underlying Asset(^{(3)})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aaa</td>
</tr>
<tr>
<td>&gt;70%</td>
<td>85%</td>
</tr>
<tr>
<td>&lt;=70%, &gt;10%</td>
<td>75%</td>
</tr>
<tr>
<td>&lt;=10%, &gt;5%</td>
<td>65%</td>
</tr>
<tr>
<td>&lt;=5%, &gt;2%</td>
<td>55%</td>
</tr>
<tr>
<td>&lt;=2%</td>
<td>45%</td>
</tr>
</tbody>
</table>

ABS Type Low-Diversity CDO Securities\(^{(6)}\):

<table>
<thead>
<tr>
<th>% of Underlying Capital Structure(^{(2)})</th>
<th>Initial Rating of Underlying Asset(^{(3)})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aaa</td>
</tr>
<tr>
<td>&gt;70%</td>
<td>80%</td>
</tr>
<tr>
<td>&lt;=70%, &gt;10%</td>
<td>70%</td>
</tr>
<tr>
<td>&lt;=10%, &gt;5%</td>
<td>60%</td>
</tr>
<tr>
<td>&lt;=5%, &gt;2%</td>
<td>50%</td>
</tr>
<tr>
<td>&lt;=2%</td>
<td>30%</td>
</tr>
</tbody>
</table>

ABS Type High-Diversity CDO Securities\(^{(7)}\):

<table>
<thead>
<tr>
<th>% of Underlying Capital Structure(^{(2)})</th>
<th>Initial Rating of Underlying Asset(^{(3)})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aaa</td>
</tr>
<tr>
<td>&gt;70%</td>
<td>85%</td>
</tr>
<tr>
<td>&lt;=70%, &gt;10%</td>
<td>75%</td>
</tr>
<tr>
<td>&lt;=10%, &gt;5%</td>
<td>65%</td>
</tr>
<tr>
<td>&lt;=5%, &gt;2%</td>
<td>55%</td>
</tr>
<tr>
<td>&lt;=2%</td>
<td>45%</td>
</tr>
</tbody>
</table>
"ABS Type Diversified ABS Securities" refer to Automobile Securities, Car Rental Fleet Securities, Credit Card Securities and Student Loan Securities.

Initial par amount of tranche to which such Underlying Asset relates divided by initial par amount of total securities issued by such Underlying Asset issuer.

The recovery rate for Underlying Assets rated Caa1, Caa2 or Caa3 is assumed to be 10%.

"ABS Type Diversified Residential Securities" refer to Residential A Mortgage-Backed Securities, Residential B/C Mortgage-Backed Securities, Non-Subprime Home Equity Loan Asset-Backed Securities and Manufactured Housing Securities.

"ABS Type Undiversified ABS Securities" refer to Equipment Lease Securities, Small Business Loan Securities and CMBS Securities.

"ABS Type Low-Diversity CDO Securities" refer to any CDO Securities that are not High-Diversity Securities.

"ABS Type High-Diversity CDO Securities" refer to any CDO Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a portfolio of commercial and industrial bank loans, other asset-backed securities or corporate debt securities (or any combination of the foregoing) that are obligations of obligors or issuers that represent a relatively diversified pool of obligor credit risk having a Moody's Asset Correlation Factor lower than 20% or a Moody's diversity score higher than 15. The "Moody's Asset Correlation Factor" is a single number determined in accordance with the asset correlation methodology provided from time to time by Moody’s and listed in the latest Monthly Report or indenture of such CDO Security.
The Class D Priority Redemption Amount on each Distribution Date during the Priority Distribution Period will be as follows:

<table>
<thead>
<tr>
<th>Distribution Date</th>
<th>Class D Priority Redemption Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2006</td>
<td>$293,750</td>
</tr>
<tr>
<td>February 2007</td>
<td>$293,750</td>
</tr>
<tr>
<td>May 2007</td>
<td>$293,750</td>
</tr>
<tr>
<td>August 2007</td>
<td>$293,750</td>
</tr>
<tr>
<td>November 2007</td>
<td>$293,750</td>
</tr>
<tr>
<td>February 2008</td>
<td>$293,750</td>
</tr>
<tr>
<td>May 2008</td>
<td>$293,750</td>
</tr>
<tr>
<td>August 2008</td>
<td>$293,750</td>
</tr>
<tr>
<td>November 2008</td>
<td>$293,750</td>
</tr>
<tr>
<td>February 2009</td>
<td>$293,750</td>
</tr>
<tr>
<td>May 2009</td>
<td>$293,750</td>
</tr>
<tr>
<td>August 2009</td>
<td>$293,750</td>
</tr>
</tbody>
</table>
Dear Sir/Madam:

The purpose of this letter (the "Confirmation") is to confirm the terms and conditions of credit derivative transactions relating to mortgage backed securities entered into between us on the Trade Date specified below (each, a "Transaction"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

Lehman Brothers Special Financing Inc. ("Party A") and [insert CDO Name] ("Party B") agree that this Confirmation sets forth the terms applicable to separate Credit Derivative Transactions with respect to each mortgage backed security set forth in Annex A and each such mortgage backed security constituting a separate Reference Obligation with respect thereto and that a Confirmation in the form of this Confirmation shall be deemed to be entered into with respect to each such Credit Derivative Transaction.

Party A and Party B further agree that each Transaction (i) constitutes a separate and independent Transaction between Party A and Party B in respect of each Reference Obligation, (ii) shall not be affected by any other Transaction and (iii) shall operate independently of each other Transaction evidenced hereby.

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions (the "Credit Derivatives Definitions"), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Credit Derivatives Definitions and this Confirmation, this Confirmation shall govern.

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement, dated as of [ ], as amended and supplemented from time to time (the "Agreement"), between Party A and Party B. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

References in this Confirmation to the "Reference Obligation" shall be to the terms of the Reference Obligation (as defined below) set out in the Underlying Instruments (as defined below) as amended from time to time unless otherwise specified below.

The terms of each Transaction to which this Confirmation relates are as follows:
1. **General Terms:**

Trade Date: [ ]

Effective Date: [ ]

Scheduled Termination Date: Subject to paragraph 5, the Legal Final Maturity Date of the Reference Obligation, subject to adjustment in accordance with the Following Business Day Convention.

Termination Date: The last to occur of:

(a) the fifth Business Day following the Effective Maturity Date;
(b) the last Floating Rate Payer Payment Date;
(c) the last Delivery Date;
(d) the last Additional Fixed Amount Payment Date; and
(e) the last Release Date.

Floating Rate Payer: Party B ("Seller")

Fixed Rate Payer: Party A ("Buyer")

Calculation Agent: Party A

Calculation Agent City: New York

Business Day: New York

Business Day Convention: Following (which, with the exception of the Effective Date, the Final Amortization Date, each Reference Obligation Payment Date and the period end date of each Reference Obligation Calculation Period, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day).

Reference Entity: With respect to each Transaction, the entity set forth opposite the relevant Reference Obligation in Annex A.

Reference Obligation: Each obligation specified in Annex A.

Section 2.30 of the Credit Derivatives Definitions shall not apply.

Original Principal Amount: As set forth opposite the relevant Reference Obligation in Annex A.

Legal Final Maturity Date: As set forth opposite the relevant Reference Obligation in Annex A.

Initial Factor: As set forth opposite the relevant Reference Obligation in Annex A.

Reference Policy: Not applicable

Reference Price: 100%
Applicable Percentage: With respect to a Reference Obligation, on any day, a percentage equal to $A$ divided by $B$.

"A" means the product of the Initial Face Amount and the Initial Factor as decreased on each Delivery Date by an amount equal to (a) the outstanding principal balance of Deliverable Obligations Delivered to Seller (as adjusted by the Relevant Amount, if any) divided by the Current Factor on such day multiplied by (b) the Initial Factor.

"B" means the product of the Original Principal Amount and the Initial Factor;

(a) as increased by the outstanding principal balance of any further issues by the Reference Entity that are fungible with and form part of the same legal series as the Reference Obligation; and

(b) as decreased by any cancellations of some or all of the Outstanding Principal Amount resulting from purchases of the Reference Obligation by or on behalf of the Reference Entity.

Initial Face Amount: As set forth opposite the Reference Obligation in Annex A
Reference Obligation Notional Amount:

On the Effective Date, the product of:

(a) the Original Principal Amount;
(b) the Initial Factor; and
(c) the Applicable Percentage.

Following the Effective Date, the Reference Obligation Notional Amount will be:

(i) decreased on each day on which a Principal Payment is made by the relevant Principal Payment Amount;
(ii) decreased on the day, if any, on which a Failure to Pay Principal occurs by the relevant Principal Shortfall Amount;
(iii) decreased on each day on which a Writedown occurs by the relevant Writedown Amount;
(iv) increased on each day on which a Writedown Reimbursement occurs by any Writedown Reimbursement Amount in respect of a Writedown Reimbursement within paragraphs (ii) or of the definition of "Writedown Reimbursement"; and
(v) decreased on each Delivery Date by an amount equal to the relevant Exercise Amount minus the amount determined pursuant to paragraph (b) of "Physical Settlement Amount" below, provided that if any Relevant Amount is applicable, the Exercise Amount will also be deemed to be decreased by such Relevant Amount (or increased by the absolute value of such Relevant Amount if such Relevant Amount is negative) with effect from such Delivery Date;

provided that if the Reference Obligation Notional Amount would be less than zero, it shall be deemed to be zero.

Initial Payment: With respect to each Transaction, the relevant Initial Payment set forth in Annex A attached hereto, which in the aggregate across all the Transactions referenced in Annex A shall equal USD [ ].

2. Fixed Payments:

Fixed Rate Payer: Buyer

Fixed Rate: As set forth opposite the relevant Reference Obligation in Annex A; subject to adjustment in accordance with paragraph 5 below.

Fixed Rate Payer Period End Date: The first day of each Reference Obligation Calculation Period.

Fixed Rate Payer Calculation Date: With respect to each Fixed Rate Payer Calculation Period, the day falling five Business Days after the Reference Obligation Payment Date occurring on the last day of such Fixed Rate Payer Calculation Period; provided that the final Fixed Rate Payer Calculation Date shall fall on the fifth Business Day following the Effective Maturity Date.
Fixed Rate Payer Payment Dates: With respect to each Fixed Rate Payer Calculation Period, the day falling five Business Days after the Reference Obligation Payment Date immediately prior to such Fixed Rate Payer Calculation Period; provided that (i) the initial Fixed Rate Payer Payment Date shall fall on the fifth Business Day following the Effective Date and (ii) the final Fixed Rate Payer Payment Date shall fall five Business Days after the Reference Obligation Payment Date immediately preceding the Effective Maturity Date.

For the avoidance of doubt, each Fixed Rate Payer Payment Date shall relate to the Reference Obligation Calculation Period in which it falls.

Fixed Amount: With respect to any Fixed Rate Payer Payment Date, an amount equal to the product of:

(a) the Fixed Rate;

(b) the Reference Obligation Notional Amount outstanding on the last day of the Reference Obligation Calculation Period related to such Fixed Rate Payer Payment Date, as adjusted for any increases or decreases of the Reference Obligation Notional Amount on the Reference Obligation Payment Date immediately preceding the related Reference Obligation Payment Date; and

(c) the actual number of days in the related Fixed Rate Payer Calculation Period divided by 360.

Additional Fixed Amount Payment Dates:

(a) Each Fixed Rate Payer Calculation Date; and

(b) in relation to each Additional Fixed Payment Event occurring after the second Business Day prior to the last Fixed Rate Payer Calculation Date, the fifth Business Day after Buyer has received notification from the Calculation Agent of the occurrence of such Additional Fixed Payment Event.

Additional Fixed Payments: Following the occurrence of an Additional Fixed Payment Event in respect of the Reference Obligation, Buyer shall pay the relevant Additional Fixed Amount to Seller on the first Additional Fixed Amount Payment Date falling at least two Business Days (or in the case of an Additional Fixed Payment Event that occurs after the second Business Day prior to the last Fixed Rate Payer Calculation Date, five Business Days) after the delivery of a notice by the Calculation Agent to the parties stating that the related Additional Fixed Amount is due and showing in reasonable detail how such Additional Fixed Amount was determined; provided that any such notice must be given on or prior to the fifth Business Day following the day that is one calendar year after the Effective Maturity Date (or, if this Transaction is terminated as a result of the occurrence of an Early Termination Date, the day that is one calendar year after such Early Termination Date); subject to Floating Payment Escrow.
Additional Fixed Payment Event: The occurrence on or after the Effective Date and on or before the day that is one calendar year after the Effective Maturity Date (or, if this Transaction is terminated as a result of the occurrence of an Early Termination Date, the day that is one calendar year after such Early Termination Date) of a Writedown Reimbursement, a Principal Shortfall Reimbursement or an Interest Shortfall Reimbursement.

Additional Fixed Amount: With respect to each Additional Fixed Amount Payment Date, an amount equal to the sum of:

(a) the Writedown Reimbursement Payment Amount (if any);
(b) the Principal Shortfall Reimbursement Payment Amount (if any);
(c) the Interest Shortfall Reimbursement Payment Amount (if any).

For the avoidance of doubt, each Writedown Reimbursement Payment Amount, Principal Shortfall Reimbursement Payment Amount or Interest Shortfall Reimbursement Payment Amount (as applicable) shall be calculated using the Applicable Percentage which takes into account the aggregate adjustment made to the Applicable Percentage in respect of all Delivery Dates that have occurred prior to the date of such calculation.

3. Floating Payments:

Floating Rate Payer: Seller

Floating Rate Payer Payment Dates: In relation to a Floating Amount Event, the first Fixed Rate Payer Calculation Date falling at least two Business Days (or in the case of a Floating Amount Event that occurs on the Legal Final Maturity Date or the Final Amortization Date, the fifth Business Day) after delivery of a notice by the Calculation Agent to the parties or a notice from by Buyer to Seller that the related Floating Amount is due and showing in reasonable detail how such Floating Amount was determined; provided that any such notice must be given on or prior to the fifth Business Day following the Effective Maturity Date.

Floating Payments: If a Floating Amount Event occurs, then on the relevant Floating Rate Payer Payment Date, Seller will pay the relevant Floating Amount to Buyer, subject to Floating Payment Escrow.

For the avoidance of doubt, the Conditions to Settlement are not required to be satisfied in respect of a Floating Payment.

Floating Payment Escrow: Notwithstanding anything herein to the contrary, if the Rating Requirement is not satisfied on a Floating Rate Payer Payment Date, Buyer and Seller shall, prior to such Floating Rate Payer Payment Date, select an escrow agent reasonably acceptable to Buyer and Seller and execute an escrow agreement such that:
(i) each amount payable by Seller in connection with Floating Payments (or portion thereof) which relates to a Writedown Amount (each such amount, an "Escrowed Amount") shall be held in an escrow account until the earlier of (a) the day upon which the Rating Requirement is satisfied and (b) the first anniversary of the related Floating Rate Payer Payment Date (the later such date in respect of each Escrowed Amount, the "Release Date"); provided, however, if a Writedown Reimbursement in respect of a Writedown Amount occurs prior to the relevant Release Date of the related Escrowed Amount, that portion of the Escrowed Amount equal to the relevant Writedown Reimbursement Payment Amount will be paid by the escrow agent to the Seller on the related Additional Fixed Amount Payment Date; provided, further if the Rating Requirement with respect to Moody's is not satisfied on any Floating Rate Payer Payment Date, Escrowed Amounts on deposit in the Escrow Account shall be transferred to the Synthetic Security Issuer Account, and such Escrowed Amounts shall be held in the Synthetic Security Issuer Account until the Release Date with respect to such Escrowed Accounts; and

(ii) all costs or expenses incurred in connection with the Escrow Agreement shall be borne by Seller, subject to a cap of $7,500 per annum.

For avoidance of doubt, payment of an Escrowed Amount (or the relevant portion thereof) to Seller by the escrow agent in connection with a Writedown Reimbursement shall satisfy Buyer's obligation to pay the related Additional Fixed Payments.

Floating Amount Event: A Writedown, a Failure to Pay Principal or an Interest Shortfall.

Floating Amount: With respect to each Floating Rate Payer Payment Date, an amount equal to the sum of:

(a) the relevant Writedown Amount (if any);
(b) the relevant Principal Shortfall Amount (if any); and
(c) the relevant Interest Shortfall Payment Amount (if any).

For the avoidance of doubt, each Writedown Amount, Principal Shortfall Amount or Interest Shortfall Payment Amount (as applicable) shall be calculated using the Applicable Percentage which takes into account the aggregate adjustment made to the Applicable Percentage in respect of all Delivery Dates that have occurred prior to the date of such calculation.

Conditions to Settlement: Credit Event Notice

Notifying Party: Buyer

Notice of Physical Settlement

Notice of Publicly Available Information: Applicable
Public Sources: The public sources listed in Section 3.7 of the Credit Derivatives Definitions; provided that Servicer Reports in respect of the Reference Obligation and, in respect of a Distressed Ratings Downgrade Credit Event only, any public communications by any of the Rating Agencies in respect of the Reference Obligation shall also be deemed Public Sources.

Specified Number: 1

provided that if the Calculation Agent has previously delivered a notice to the parties or Buyer has previously delivered a notice to Seller pursuant to the definition of "Floating Rate Payer Payment Dates" above in respect of a Writedown or a Failure to Pay Principal, the only Condition to Settlement with respect to any Credit Event shall be a Notice of Physical Settlement.

The parties agree that with respect to the Transaction and notwithstanding anything to the contrary in the Credit Derivatives Definitions:

(a) the Conditions to Settlement may be satisfied on more than one occasion;

(b) multiple Physical Settlement Amounts may be payable by Seller;

(c) Buyer, when providing a Notice of Physical Settlement, must specify an Exercise Amount and an Exercise Percentage;

(d) if Buyer has delivered a Notice of Physical Settlement that specifies an Exercise Amount that is less than the Reference Obligation Notional Amount as of the date on which such Notice of Physical Settlement is delivered (calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full), the rights and obligations of the parties under the Transaction shall continue and Buyer may deliver additional Notices of Physical Settlement with respect to the initial Credit Event or with respect to any additional Credit Event at any time thereafter; and

(e) any Notice of Physical Settlement shall be delivered no later than 30 calendar days after the fifth Business Day following the earlier of the Effective Maturity Date and the Optional Step-up Early Termination Date.

Section 3.2(d) of the Credit Derivatives Definitions is amended to delete the words "that is effective no later than thirty calendar days after the Event Determination Date".

Credit Events: The following Credit Events shall apply to this Transaction (and the first sentence of Section 4.1 of the Credit Derivatives Definitions shall be amended accordingly):

Failure to Pay Principal

Writedown

Distressed Ratings Downgrade
4. Interest Shortfall

Interest Shortfall Payment Amount: In respect of an Interest Shortfall, the relevant Interest Shortfall Amount; provided that, if Interest Shortfall Cap is applicable and the Interest Shortfall Amount exceeds the Interest Shortfall Cap Amount, the Interest Shortfall Payment Amount in respect of such Interest Shortfall shall be the Interest Shortfall Cap Amount.

Interest Shortfall Cap: Applicable


Actual Interest Amount: With respect to any Reference Obligation Payment Date, payment by or on behalf of the Issuer of an amount in respect of interest due under the Reference Obligation (including, without limitation, any deferred interest or defaulted interest but excluding payments in respect of prepayment penalties, yield maintenance provisions or principal, except that the Actual Interest Amount shall include any payment of principal representing capitalized interest) to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

WAC Cap Interest Provision: Not Applicable.

For this purpose, "WAC Cap" means a weighted average coupon or weighted average rate cap provision (however defined in the Underlying Instruments) of the Underlying Instruments that limits, increases or decreases the interest rate or interest entitlement, as set out in the Underlying Instruments on the Effective Date without regard to any subsequent amendment.

Expected Interest Amount: With respect to any Reference Obligation Payment Date, the amount of current interest that would accrue during the related Reference Obligation Calculation Period calculated using the Reference Obligation Coupon on a principal balance of the Reference Obligation equal to:

(a) the Outstanding Principal Amount taking into account any reductions due to a principal deficiency balance or realized loss amount (however described in the Underlying Instruments) that are attributable to the Reference Obligation minus

(b) the Aggregate Implied Writedown Amount (if any)

and that will be payable on the related Reference Obligation Payment Date assuming for this purpose that sufficient funds are available therefor in accordance with the Underlying Instruments. Except as provided in (a) in the previous sentence, the Expected Interest Amount shall be determined without regard to (i) unpaid amounts in respect of accrued interest on prior Reference Obligation Payment Dates, or (ii) any prepayment penalties or yield maintenance provisions.

The Expected Interest Amount shall be determined:
(x) if WAC Cap Interest Provision is applicable, after giving effect to any WAC Cap; and

(y) if WAC Cap Interest Provision is not applicable, without giving effect to any WAC Cap; and

in either case without regard to the effect of any provisions (however described) of such Underlying Instruments that otherwise permit the limitation of due payments to distributions of funds available from proceeds of the Underlying Assets, or that provide for the capitalization or deferral of interest on the Reference Obligation, or that provide for the extinguishing or reduction of such payments or distributions (but, for the avoidance of doubt, taking account of any Writedown within paragraph (i) of the definition of "Writedown" occurring in accordance with the Underlying Instruments).

Interest Shortfall: With respect to any Reference Obligation Payment Date, either (a) the non-payment of an Expected Interest Amount or (b) the payment of an Actual Interest Amount that is less than the Expected Interest Amount.

For the avoidance of doubt, the occurrence of an event within (a) or (b) shall be determined taking into account any payment made under the Reference Policy, if applicable.

Interest Shortfall Amount: With respect to any Reference Obligation Payment Date, an amount equal to the greater of:

(a) zero; and

(b) the amount equal to the product of:

   (i) (A) the Expected Interest Amount;

   minus

   (B) the Actual Interest Amount; and

   (ii) the Applicable Percentage;

provided that, with respect to the first Reference Obligation Payment Date only, the Interest Shortfall Amount shall be the amount determined in accordance with (a) and (b) above multiplied by a fraction equal to:

(x) the number of days in the first Fixed Rate Payer Calculation Period;

over

(y) the number of days in the first Reference Obligation Calculation Period.

Interest Shortfall Reimbursement: With respect to any Reference Obligation Payment Date, the payment by or on behalf of the Issuer of an Actual Interest Amount in respect of the Reference Obligation that is greater than the Expected Interest Amount.

Interest Shortfall Reimbursement Amount: With respect to any Reference Obligation Payment Date, the product of (a) the amount of any Interest Shortfall Reimbursement on such day and (b) the Applicable Percentage.
Interest Shortfall Reimbursement Payment Amount: If Interest Shortfall Cap is not applicable, the relevant Interest Shortfall Reimbursement Amount. If Interest Shortfall Cap is applicable, the amount determined pursuant to the Interest Shortfall Cap Annex.

5. Consequences of Step up of the Reference Obligation Coupon

Step-up provisions: Applicable

If the Step-up provisions are applicable, then the following provisions of this paragraph 5 shall apply.

Step up: On any day, an increase in the Reference Obligation Coupon due to the failure of the Issuer or a third party to exercise, in accordance with the Underlying Instruments, a "clean up call" or other right to purchase, redeem, cancel or terminate (however described in the Underlying Instruments) the Reference Obligation.

Non Call Notification Date: The date of delivery by the Calculation Agent to the parties or by Buyer to Seller of a Non Call Notice.

Non Call Notice: A notice given by the Calculation Agent to the parties or by Buyer to Seller that the Reference Obligation has not been purchased, redeemed, cancelled or terminated by the Issuer or a third party, in accordance with the Underlying Instruments, pursuant to a "clean up call" or other right to purchase, redeem, cancel or terminate (however described in the Underlying Instruments) the Reference Obligation, which failure will result in the occurrence of a Step up.

Increase of the Fixed Rate: Subject to "Optional Step up Early Termination" below, upon the occurrence of a Step up, the Fixed Rate will be increased by the number of basis points by which the Reference Obligation Coupon is increased due to the Step-up, such increase to take effect as of the Fixed Rate Payor Payment Date immediately following the fifth Business Day after the Non-Call Notification Date.

Optional Step up Early Termination: No later than five Business Days after the Non-Call Notification Date, Buyer shall notify Seller (such notification, a "Buyer Step-up Notice") whether Buyer wishes to continue the Transaction at the increased Fixed Rate or to terminate the Transaction.

If Buyer elects to terminate the Transaction, the date of delivery of the Buyer Step-up Notice shall be the Scheduled Termination Date (such date, the "Optional Step-up Early Termination Date") and in such case "Increase of the Fixed Rate" in this paragraph 5 shall not apply.

No amount shall be payable by either party in respect of the Optional Step up Early Termination Date other than any Fixed Amount, Additional Fixed Amount, Floating Amount or Physical Settlement Amount calculated in accordance with the terms hereof. For the avoidance of doubt, the obligation of a party to pay any amount that has become due and payable under the Transaction and remains unpaid as at the Optional Step-up Early Termination Date shall not be affected by the occurrence of the Optional Step-up Early Termination Date.
If Buyer fails to deliver the Buyer Step-up Notice by the fifth Business Day after the Non-Call Notification Date, Buyer shall be deemed to have elected to continue the Transaction at the increased Fixed Rate as described under "Increase of the Fixed Rate".

If Buyer elects, or is deemed to have elected, to continue the Transaction at the increased Fixed Rate, the Transaction shall continue.

6. Settlement Terms

Settlement Method: Physical Settlement

Terms Relating to Physical Settlement:

Physical Settlement Period: Five Business Days
Deliverable Obligations: Exclude Accrued Interest
Deliverable Obligations: Deliverable Obligation Category: Reference Obligation Only

Physical Settlement Amount: An amount equal to:

(a) the product of the Exercise Amount and the Reference Price; minus
(b) the sum of:
   
   (i) if the Aggregate Implied Writedown Amount is greater than zero, the product of (A) the Aggregate Implied Writedown Amount, (B) the Applicable Percentage, each as determined immediately prior to the relevant Delivery and (C) the relevant Exercise Percentage; and
   
   (ii) the product of (A) the aggregate of all Writedown Amounts in respect of Writedowns within paragraph (i)(B) of the definition of "Writedown" minus the aggregate of all Writedown Reimbursement Amounts in respect of Writedown Reimbursements within paragraph (ii)(B) of the definition of "Writedown Reimbursement" and (B) the relevant Exercise Percentage;

provided that if the Physical Settlement Amount would exceed the product of:

(1) the Reference Obligation Notional Amount as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full; and

(2) the Exercise Percentage;

then the Physical Settlement Amount shall be deemed to be equal to such product.
Delayed Payment: With respect to a Delivery Date, if a Servicer Report that describes a Delayed Payment is delivered to holders of the Reference Obligation or to the Calculation Agent on or after such Delivery Date, Buyer will pay the applicable Delayed Payment Amount to Seller no later than five Business Days following such Delayed Payment.

Escrow: Applicable

Non-delivery by Buyer or occurrence of the Effective Maturity Date: If Buyer has delivered a Notice of Physical Settlement and:

(a) Buyer does not Deliver in full the Deliverable Obligations specified in that Notice of Physical Settlement on or prior to the Physical Settlement Date; or

(b) the Effective Maturity Date occurs after delivery of the Notice of Physical Settlement but before Buyer Delivers the Deliverable Obligations specified in that Notice of Physical Settlement;

then such Notice of Physical Settlement shall be deemed not to have been delivered and any reference in this Confirmation to a previously delivered Notice of Physical Settlement that is deemed not to have been delivered. Sections 9.2(c)(ii) (except for the first sentence thereof), 9.3, 9.4, 9.5, 9.6, 9.9 and 9.10 of the Credit Derivatives Definitions shall not apply.

7. Additional Provisions:

(a) Delivery of Servicer Report

If either party makes a reasonable request in writing, the Calculation Agent agrees to provide such party with a copy of the most recent Servicer Report promptly following receipt of such request, if and to the extent such Servicer Report is reasonably available to the Calculation Agent (whether or not the Calculation Agent is a holder of the Reference Obligation). In addition, if a Floating Payment or an Additional Fixed Payment is due hereunder, then the Calculation Agent or the party that notifies the other party that the relevant Floating Payment or Additional Fixed Payment is due, as applicable, (the "Notifying Party") shall deliver a copy of any Servicer Report relevant to such payment that is requested by the party that is not the Notifying Party or by either party where the Notifying Party is the Calculation Agent, if and to the extent that such Servicer Report is reasonably available to the Notifying Party (whether or not the Notifying Party is a holder of the Reference Obligation).

(b) Calculation Agent and Buyer and Seller Determinations

The Calculation Agent shall be responsible for determining and calculating (i) the Fixed Amount payable on each Fixed Rate Payer Payment Date, (ii) the occurrence of a Floating Amount Event and the related Floating Amount and (iii) the occurrence of an Additional Fixed Payment Event and the related Additional Fixed Amount. The Calculation Agent shall make such determinations and calculations based solely on the basis of the Servicer Reports, to the extent such Servicer Reports are reasonably available to the Calculation Agent. The Calculation Agent, as applicable, shall, as soon as practicable after making any of the determinations or calculations specified in (i) and (iii) above, notify the parties or the other party, as applicable, of such determinations and calculations.
(c) Adjustment of Calculation Agent Determinations

To the extent that a Servicer furnishes any Servicer Reports correcting information contained in previously issued Servicer Reports, and such corrections impact calculations pursuant to this Transaction, the calculations relevant to the Transaction shall be adjusted retroactively by the Calculation Agent to reflect the corrected information (provided that, for the avoidance of doubt, no amounts in respect of interest shall be payable by either party and provided that the Calculation Agent in performing the calculations pursuant to this paragraph will assume that no interest has accrued on any adjusted amount), and the Calculation Agent shall promptly notify both parties of any corrected payments required by either party. Any required corrected payments shall be made within five Business Days of the day on which such notification by the Calculation Agent is effective.

(d) No Implied Writedown Amounts or Implied Writedown Reimbursement Amounts

Notwithstanding anything herein to the contrary, no payments shall be made under this Transaction in connection with an Implied Writedown Amount or an Implied Writedown Reimbursement Amount. For the avoidance of doubt, any references to Implied Writedown shall be disregarded for the purposes of calculating Reference Obligation Notional Amount with respect to any Fixed Payment or Additional Fixed Payment.

8. Notice and Account Details:

Telephone, Telex and/or Facsimile Numbers and
Contact Details for Notices:

[ ]

With a copy of all notices to:

[ ]

Party B: Please Advise

Account Details:

Account Details of Party A:

Account Details of Party B: Please Advise

9. Additional Definitions and Amendments to the Credit Derivatives Definitions

(a) References in Sections 4.1, 8.2, 9.1 and 9.2(a) of the Credit Derivatives Definitions as well as Section 3(a)(iv) of the form of Novation Agreement set forth in Exhibit E to the Credit Derivatives Definitions to the Reference Entity shall be deemed to be references to both the Reference Entity and the Insurer in respect of the Reference Policy, if applicable.
(b)  
(i) The definition of "Publicly Available Information" in Section 3.5 of the Credit Derivatives Definitions shall be amended by (i) inserting the words "the Insurer in respect of the Reference Policy, if applicable" at the end of subparagraph (a)(ii)(A) thereof, (ii) inserting the words ", servicer, sub-servicer, master servicer" before the words "or paying agent" in subparagraph (a)(ii)(B) thereof and (iii) deleting the word "or" at the end of subparagraph (a)(iii) thereof and inserting at the end of subparagraph (a)(iv) thereof the following: "or (v) is information contained in a notice or on a website published by an internationally recognized rating agency that has at any time rated the Reference Obligation".

(ii) The definition of "Physical Settlement" in Section 8.1 of the Credit Derivatives Definitions shall be amended by (i) deleting the words "Physical Settlement Amount" from the last line of the second paragraph thereof and (ii) inserting in lieu thereof the words "Exercise Amount".

(iii) The definition of "Physical Settlement Date" in Section 8.4 of the Credit Derivatives Definitions shall be amended by deleting the last sentence thereof.

(c) For the purposes of this Transaction only, the following terms have the meanings given below:

"Actual Principal Amount" means, with respect to the Final Amortization Date or the Legal Final Maturity Date, an amount paid on such day by or on behalf of the Issuer in respect of principal (excluding any capitalized interest) to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

"Aggregate Implied Writedown Amount" means the greater of (i) zero and (ii) the aggregate of all Implied Writedown Amounts minus the aggregate of all Implied Writedown Reimbursement Amounts.

"Current Factor" means the factor of the Reference Obligation as specified in the most recent Servicer Report; provided that if the factor is not specified in the most recent Servicer Report, the Current Factor shall be the ratio equal to (i) the Outstanding Principal Amount as of such date, determined in accordance with the most recent Servicer Report over (ii) the Original Principal Amount.

"Current Period Implied Writedown Amount" means, in respect of a Reference Obligation Calculation Period, an amount determined as of the last day of such Reference Obligation Calculation Period equal to the greater of:

(i) zero; and

(ii) the product of:

(A) the Implied Writedown Percentage; and

(B) the greater of:

(1) zero; and

(2) the lesser of (x) the Pari Passu Amount and (y) the Pari Passu Amount plus the Senior Amount minus the aggregate outstanding asset pool balance securing the payment obligations on the Reference Obligation (all such outstanding asset pool balances as obtained by the Calculation Agent from the most recently dated Servicer Report available as of
such day), calculated based on the face amount of the assets then in such pool, whether or not any such asset is performing.

"Delayed Payment" means, with respect to a Delivery Date, a Principal Payment, Principal Shortfall Reimbursement or a Writedown Reimbursement within paragraph (i) of the definition of "Writedown Reimbursement" that is described in a Servicer Report delivered to holders of the Reference Obligation or to the Calculation Agent on or after such Delivery Date.

"Delayed Payment Amount" means, if persons who are holders of the Reference Obligation as of a date prior to a Delivery Date are paid a Delayed Payment on or after such Delivery Date, an amount equal to the product of (i) the sum of all such Delayed Payments, (ii) the Reference Price, (iii) the Applicable Percentage immediately prior to such Delivery Date and (iv) the Exercise Percentage.

"Distressed Ratings Downgrade" means that the Reference Obligation:

(i) if publicly rated by Moody's, (A) is downgraded to "Caa2" or below by Moody's or (B) has the rating assigned to it by Moody's withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; provided that if such Reference Obligation was assigned a public rating of "Baa3" or higher by Moody's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "Caa1" by Moody's within three calendar months after such withdrawal; or

(ii) if publicly rated by Standard & Poor's, (A) is downgraded to "CCC" or below by Standard & Poor's or (B) has the rating assigned to it by Standard & Poor's withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; provided that if such Reference Obligation was assigned a public rating of "BBB-" or higher by Standard & Poor's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Standard & Poor's within three calendar months after such withdrawal; or

(iii) if publicly rated by Fitch, (A) is downgraded to "CCC" or below by Fitch or (B) has the rating assigned to it by Fitch withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; provided that if such Reference Obligation was assigned a public rating of "BBB-" or higher by Fitch immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Fitch within three calendar months after such withdrawal.

"Effective Maturity Date" means the earlier of (a) the Scheduled Termination Date and (b) the Final Amortization Date.

"Exercise Amount" means, for purposes of the Transaction, an amount to which a Notice of Physical Settlement relates equal to the product of (i) the original face amount of the Reference Obligation to be Delivered by Buyer to Seller on the applicable Physical Settlement Date; and (ii) the Current Factor as of such date. The Exercise Amount to which a Notice of Physical Settlement relates shall (A) be equal to or less than the Reference Obligation Notional Amount (determined, for this purpose, without regard to the effect of any Writedown or Writedown Reimbursement within paragraphs (i)(B) or (iii) of "Writedown" or paragraphs (ii)(B) or (iii) of "Writedown Reimbursement", respectively) as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though the Physical Settlement of all previously delivered Notices of Physical Settlement has occurred in full and (B) not be less than the lesser of (1) the Reference Obligation Notional Amount as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full and (2) USD100,000. The cumulative original face
amount of Deliverable Obligations specified in all Notices of Physical Settlement shall not at any time exceed the Initial Face Amount.

"Exercise Percentage" means, with respect to a Notice of Physical Settlement, a percentage equal to the original face amount of the Deliverable Obligations specified in such Notice of Physical Settlement divided by an amount equal to (i) the Initial Face Amount minus (ii) the aggregate of the original face amount of all Deliverable Obligations specified in all previously delivered Notices of Physical Settlement.

"Expected Principal Amount" means, with respect to the Final Amortization Date or the Legal Final Maturity Date, an amount equal to (i) the Outstanding Principal Amount of the Reference Obligation payable on such day (excluding capitalized interest) assuming for this purpose that sufficient funds are available for such payment, where such amount shall be determined in accordance with the Underlying Instruments, minus (ii) the sum of (A) the Aggregate Implied Writedown Amount (if any) and (B) the net aggregate principal deficiency balance or realized loss amounts (however described in the Underlying Instruments) that are attributable to the Reference Obligation. The Expected Principal Amount shall be determined without regard to the effect of any provisions (however described) of the Underlying Instruments that permit the limitation of due payments or distributions of funds in accordance with the terms of such Reference Obligation or that provide for the extinguishing or reduction of such payments or distributions.

"Failure to Pay Principal" means (i) a failure by the Reference Entity (or any Insurer) to pay an Expected Principal Amount on the Final Amortization Date or the Legal Final Maturity Date, as the case may be or (ii) payment on any such day of an Actual Principal Amount that is less than the Expected Principal Amount; provided that the failure by the Reference Entity (or any Insurer) to pay any such amount in respect of principal in accordance with the foregoing shall not constitute a Failure to Pay Principal if such failure has been remedied within any grace period applicable to such payment obligation under the Underlying Instruments or, if no such grace period is applicable, within three Business Days after the day on which the Expected Principal Amount was scheduled to be paid.

"Final Amortization Date" means the first to occur of (i) the date on which the Reference Obligation Notional Amount is reduced to zero and (ii) the date on which the assets securing the Reference Obligation or designated to fund amounts due in respect of the Reference Obligation are liquidated, distributed or otherwise disposed of in full and the proceeds thereof are distributed or otherwise disposed of in full.

"Fitch" means Fitch Ratings or any successor to its rating business.

"Implied Writedown Amount" means, (i) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) of the definition of "Writedown" to occur in respect of the Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Calculation Agent equal to the excess, if any, of the Current Period Implied Writedown Amount over the Previous Period Implied Writedown Amount, in each case in respect of the Reference Obligation Calculation Period to which such Reference Obligation Payment Date relates, and (ii) in any other case, zero.

"Implied Writedown Reimbursement Amount" means, (i) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) of the definition of "Writedown" to occur in respect of the Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Calculation Agent equal to the excess, if any, of the Previous Period Implied Writedown Amount over the Current Period Implied Writedown Amount, in each case in respect of the Reference Obligation Calculation Period to which such Reference Obligation Payment Date relates, and (ii) in any other case, zero; provided that the aggregate of all Implied Writedown Reimbursement Amounts at any time shall not exceed the product of the Pari Passu Amount and the Implied Writedown Percentage.
"Legal Final Maturity Date" means the date set out in paragraph 1 above (subject, for the avoidance of doubt, to any business day convention applicable to the legal final maturity date of the Reference Obligation), provided that if the legal final maturity date of the Reference Obligation is amended, the Legal Final Maturity Date shall be such date as amended.

"Moody's" means Moody's Investors Service, Inc. or any successor to its rating business.

"Outstanding Principal Amount" means, as of any date of determination with respect to the Reference Obligation, the outstanding principal balance of the Reference Obligation as of such date, which shall take into account:

(i) all payments of principal;

(ii) all writedowns or applied losses (however described in the Underlying Instruments) resulting in a reduction in the outstanding principal balance of the Reference Obligation (other than as a result of a scheduled or unscheduled payment of principal);

(iii) forgiveness of any amount by the holders of the Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the outstanding principal balance of the Reference Obligation;

(iv) any payments reducing the amount of any reductions described in (ii) and (iii) of this definition; and

(v) any increase in the outstanding principal balance of the Reference Obligation that reflects a reversal of any prior reductions described in (ii) and (iii) of this definition.

"Pari Passu Amount" means, as of any date of determination, the aggregate of the Outstanding Principal Amount of the Reference Obligation and the aggregate outstanding principal balance of all obligations of the Reference Entity secured by the Underlying Assets and ranking pari passu in priority with the Reference Obligation.

"Previous Period Implied Writedown Amount" means, in respect of a Reference Obligation Calculation Period, the Current Period Implied Writedown Amount as determined in relation to the last day of the immediately preceding Reference Obligation Calculation Period.

"Principal Payment" means, with respect to any Reference Obligation Payment Date, the occurrence of a payment of an amount to the holders of the Reference Obligation in respect of principal (scheduled or unscheduled) in respect of the Reference Obligation other than a payment in respect of principal representing capitalized interest, excluding, for the avoidance of doubt, any Writedown Reimbursement or Interest Shortfall Reimbursement.

"Principal Payment Amount" means, with respect to any Reference Obligation Payment Date, an amount equal to the product of (i) the amount of any Principal Payment on such date and (ii) the Applicable Percentage.

"Principal Shortfall Amount" means, in respect of a Failure to Pay Principal, an amount equal to the greater of:

(i) zero; and

(ii) the amount equal to the product of:

(A) the Expected Principal Amount minus the Actual Principal Amount;
(B) the Applicable Percentage; and
(C) the Reference Price.

If the Principal Shortfall Amount would be greater than the Reference Obligation Notional Amount immediately prior to the occurrence of such Failure to Pay Principal, then the Principal Shortfall Amount shall be deemed to be equal to the Reference Obligation Notional Amount at such time.

"Principal Shortfall Reimbursement" means, with respect to any day, the payment by or on behalf of the Issuer of an amount in respect of the Reference Obligation in or toward the satisfaction of any deferral of or failure to pay principal arising from one or more prior occurrences of a Failure to Pay Principal.

"Principal Shortfall Reimbursement Amount" means, with respect to any day, the product of (i) the amount of any Principal Shortfall Reimbursement on such day, (ii) the Applicable Percentage and (iii) the Reference Price.

"Principal Shortfall Reimbursement Payment Amount" means, with respect to an Additional Fixed Amount Payment Date, the sum of the Principal Shortfall Reimbursement Amounts in respect of all Principal Shortfall Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such Additional Fixed Amount Payment Date, provided that the aggregate of all Principal Shortfall Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by Seller in respect of occurrences of Failure to Pay Principal prior to such Additional Fixed Amount Payment Date.

"Rating Agencies" means Fitch, Moody's and Standard & Poor's.

"Rating Requirement" means, (i) either (A) the long-term debt obligations of the Buyer or its Credit Support Provider are rated at least Aa3 by Moody's (and if rated Aa3, such rating is not on watch for possible downgrade) or (B)(1) the short-term debt obligations of the Buyer or its Credit Support Provider are rated at least P-1 by Moody's (and if rated P-1, such rating is not on watch for possible downgrade) and (2) the long-term debt obligations of the Buyer or its Credit Support Provider are rated at least A1 by Moody's (and if rated A1, such rating is not on watch for possible downgrade), and (ii) either (A) the long-term debt obligations of the Buyer or its Credit Support Provider are rated at least AA- by Standard & Poor's, or if a Rating Condition (as defined in the Indenture) with respect to Standard & Poor's has been obtained, A+, and so long as the required posting is made, or (B) the short-term debt obligations of the Buyer or its Credit Support Provider are rated A-1+ by Standard & Poor's.

"Reference Obligation Calculation Period" means, with respect to each Reference Obligation Payment Date, a period corresponding to the interest accrual period relating to such Reference Obligation Payment Date pursuant to the Underlying Instruments.

"Reference Obligation Coupon" means the periodic interest rate applied in relation to each Reference Obligation Calculation Period on the related Reference Obligation Payment Date, as determined in accordance with the terms of the Underlying Instruments as at the Effective Date, without regard to any subsequent amendment.

"Reference Obligation Payment Date" means (i) each scheduled distribution date for the Reference Obligation occurring on or after the Effective Date and on or prior to the Scheduled Termination Date, determined in accordance with the Underlying Instruments and (ii) any day after the Effective Maturity Date on which a payment is made in respect of the Reference Obligation.

"Relevant Amount" means, if a Servicer Report that describes a Principal Payment, Writedown or Writedown Reimbursement (other than a Writedown Reimbursement within paragraph (i) of "Writedown Reimbursement"), in each case that has the effect of decreasing or increasing the interest accruing principal balance of the Reference Obligation as of a date prior to a Delivery Date but such Servicer Report is
delivered to holders of the Reference Obligation or to the Calculation Agent on or after such Delivery Date, an amount equal to the product of (i) the sum of any such Principal Payment (expressed as a positive amount), Writedown (expressed as a positive amount) or Writedown Reimbursement (expressed as a negative amount), as applicable; (ii) the Reference Price; (iii) the Applicable Percentage immediately prior to such Delivery Date; and (iv) the Exercise Percentage.

"Senior Amount" means, as of any day, the aggregate outstanding principal balance of all obligations of the Reference Entity secured by the Underlying Assets and ranking senior in priority to the Reference Obligation.

"Servicer" means any trustee, servicer, sub servicer, master servicer, fiscal agent, paying agent or other similar entity responsible for calculating payment amounts or providing reports pursuant to the Underlying Instruments.

"Servicer Reports" means periodic statements or reports regarding the Reference Obligation provided by the Servicer to holders of the Reference Obligation.

"Standard & Poor's" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. or any successor to its rating business.

"Underlying Assets" means the assets securing the Reference Obligation for the benefit of the holders of the Reference Obligation and which are expected to generate the cashflows required for the servicing and repayment (in whole or in part) of the Reference Obligation, or the assets to which a holder of such Reference Obligation is economically exposed where such exposure is created synthetically.

"Underlying Instruments" means the indenture, trust agreement, pooling and servicing agreement or other relevant agreement(s) setting forth the terms of the Reference Obligation.

"Writedown" means the occurrence at any time on or after the Effective Date of:

(i) (A) a writedown or applied loss (however described in the Underlying Instruments) resulting in a reduction in the Outstanding Principal Amount (other than as a result of a scheduled or unscheduled payment of principal); or

(B) the attribution of a principal deficiency or realized loss (however described in the Underlying Instruments) to the Reference Obligation resulting in a reduction or subordination of the current interest payable on the Reference Obligation;

(ii) the forgiveness of any amount of principal by the holders of the Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the Outstanding Principal Amount; or

(iii) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) above to occur in respect of the Reference Obligation, an Implied Writedown Amount being determined in respect of the Reference Obligation by the Calculation Agent;

provided that if Party A holds the Reference Obligation, Party A shall not vote to approve any writedown or applied loss (as set forth in clause (i)(A) hereof); provided further, if Party A votes for any writedown or applied loss, then any related writedown or loss amount shall not be a Floating Amount and shall not be payable by Party B.

"Writedown Amount" means, with respect to any day, the product of (i) the amount of any Writedown on such day, (ii) the Applicable Percentage and (iii) the Reference Price.
"Writedown Reimbursement" means, with respect to any day, the occurrence of:

(i) a payment by or on behalf of the Issuer of an amount in respect of the Reference Obligation in reduction of any prior Writedowns;

(ii) (A) an increase by or on behalf of the Issuer of the Outstanding Principal Amount of the Reference Obligation to reflect the reversal of any prior Writedowns; or

(B) a decrease in the principal deficiency balance or realized loss amounts (however described in the Underlying Instruments) attributable to the Reference Obligation; or

(iii) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (ii) above to occur in respect of the Reference Obligation, an Implied Writedown Reimbursement Amount being determined in respect of the Reference Obligation by the Calculation Agent.

"Writedown Reimbursement Amount" means, with respect to any day, an amount equal to the product of:

(i) the sum of all Writedown Reimbursements on that day;

(ii) the Applicable Percentage; and

(iii) the Reference Price.

"Writedown Reimbursement Payment Amount" means, with respect to an Additional Fixed Amount Payment Date, the sum of the Writedown Reimbursement Amounts in respect of all Writedown Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such Additional Fixed Amount Payment Date, provided that the aggregate of all Writedown Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by Seller in respect of Writedowns occurring prior to such Additional Fixed Amount Payment Date.
Please confirm your agreement to be bound by the terms of the foregoing by executing a copy of this
Confirmation and returning it to us by facsimile.

Yours sincerely,

**Lehman Brothers Special Financing Inc.**

By: ______________________
    Name:
    Title:

Confirmed as of the date first above written:

[                            ]
By: ______________________
    Name:
    Title:
Interest Shortfall Cap Annex

If Interest Shortfall Cap is applicable, then the following provisions will apply:

### Interest Shortfall Cap Basis:
- **Fixed Cap**

### Interest Shortfall Cap Amount:
- If the Interest Shortfall Cap Basis is Fixed Cap, the Interest Shortfall Cap Amount in respect of an Interest Shortfall shall be the Fixed Amount calculated in respect of the Fixed Rate Payer Payment Date immediately prior to the Reference Obligation Payment Date on which the relevant Interest Shortfall occurred.

- If the Interest Shortfall Cap Basis is Variable Cap, the Interest Shortfall Cap Amount applicable in respect of a Floating Rate Payer Payment Date shall be an amount equal to the product of:
  1. the sum of the Relevant Rate and the Fixed Rate applicable to the Fixed Rate Payer Calculation Period immediately preceding the Reference Obligation Payment Date on which the relevant Interest Shortfall occurs;
  2. the amount determined by the Calculation Agent under sub clause (b) of the definition of "Fixed Amount" in relation to the relevant Fixed Rate Payer Payment Date; and
  3. the actual number of days in such Fixed Rate Payer Calculation Period divided by 360.

### Interest Shortfall Reimbursement Payment Amount:
- If Interest Shortfall Cap is applicable, then with respect to the first Additional Fixed Amount Payment Date, zero, and with respect to any subsequent Additional Fixed Amount Payment Date and calculated as of the Reference Obligation Payment Date immediately preceding such Additional Fixed Amount Payment Date, as specified by the Calculation Agent in its notice to the parties or by Seller in its notice to Buyer of the existence of an Interest Shortfall Reimbursement, an amount equal to the greater of:
  1. zero; and
  2. the amount equal to:
    1. the product of:
      1. the Cumulative Interest Shortfall Payment Amount as of the Additional Fixed Amount Payment Date immediately preceding such Reference Obligation Payment Date; and
      2. the relevant Cumulative Interest Shortfall Payment Compounding Factor for the Fixed Rate Payer Calculation Period immediately preceding such Additional Fixed Amount Payment Date (or 1.0 in respect of any Additional Fixed Amount Payment Date occurring after the final Fixed Rate Payer
Calculation Date); minus

(ii) the Cumulative Interest Shortfall Amount as of such Reference Obligation Payment Date;

provided that if the Interest Shortfall Reimbursement Payment Amount on an Additional Fixed Amount Payment Date would exceed the Interest Shortfall Reimbursement Amount in respect of the related Reference Obligation Payment Date, then such Interest Shortfall Reimbursement Payment Amount shall be deemed to be equal to such Interest Shortfall Reimbursement Amount.

Cumulative Interest Shortfall Amount: With respect to any Reference Obligation Payment Date, an amount equal to the greater of:

(a) zero; and

(b) an amount equal to:

(i) the Cumulative Interest Shortfall Amount as of the Reference Obligation Payment Date immediately preceding such Reference Obligation Payment Date or, in the case of the first Reference Obligation Payment Date, zero; plus

(ii) the Interest Shortfall Amount (if any) in respect of such Reference Obligation Payment Date; plus

(iii) an amount determined by the Calculation Agent as the amount of interest that would accrue on the Cumulative Interest Shortfall Amount immediately preceding such Reference Obligation Payment Date during the related Reference Obligation Calculation Period pursuant to the Underlying Instruments or, in the case of the first Reference Obligation Payment Date, zero; minus

(iv) the Interest Shortfall Reimbursement Amount (if any) in respect of such Reference Obligation Payment Date.

Upon the occurrence of each Delivery, the Cumulative Interest Shortfall Amount shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following such Delivery divided by (b) the Applicable Percentage immediately prior to such Delivery; provided, however, that if more than one Delivery is made during a Reference Obligation Calculation Period, the Cumulative Interest Shortfall Amount calculated as of the Reference Obligation Payment Date occurring immediately after such Reference Obligation Calculation Period shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following the final Delivery made during such Reference Obligation Calculation Period and (b) the Applicable Percentage.
Cumulative Interest Shortfall Payment Amount: The Cumulative Interest Shortfall Payment Amount with respect to any Fixed Rate Payer Payment Date and any Additional Fixed Amount Payment Date falling on such Fixed Rate Payer Payment Date shall be an amount equal to the greater of:

(a) zero; and

(b) the amount equal to:

(i) the sum of:

(A) the Interest Shortfall Payment Amount for the Reference Obligation Payment Date corresponding to such Fixed Rate Payer Calculation Date; and

(B) the product of:

(1) the Cumulative Interest Shortfall Payment Amount as of the Fixed Rate Payer Calculation Date immediately preceding such Fixed Rate Payer Payment Date (or zero in the case of the first Fixed Rate Payer Calculation Date); and

(2) the relevant Cumulative Interest Shortfall Payment Compounding Factor;

minus

(ii) any Interest Shortfall Reimbursement Payment Amount paid on such Fixed Rate Payer Calculation Date.

With respect to any Additional Fixed Amount Payment Date falling after the final Fixed Rate Payer Calculation Date, the Cumulative Interest Shortfall Payment Amount shall be equal to:

(x) the Cumulative Interest Shortfall Payment Amount as of the Additional Fixed Amount Payment Date immediately preceding such Additional Fixed Amount Payment Date (or as of the final Fixed Rate Payer Calculation Date in the case of the first Additional Fixed Amount Payment Date occurring after the final Fixed Rate Payer Calculation Date); minus

(y) any Interest Shortfall Reimbursement Payment Amount paid on such Additional Fixed Amount Payment Date.

Upon the occurrence of each Delivery, the Cumulative Interest Shortfall Payment Amount shall be multiplied by a fraction equal to:

(a) the Applicable Percentage immediately following such Delivery
divided by (b) the Applicable Percentage immediately prior to such Delivery; provided, however, that if more than one Delivery is made during a Reference Obligation Calculation Period, the Cumulative Interest Shortfall Payment Amount calculated as of the Reference Obligation Payment Date occurring immediately after such Reference Obligation Calculation Period shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following the final Delivery made during such Reference Obligation Calculation Period and (b) the Applicable Percentage immediately prior to the first Delivery made during such Reference Obligation Calculation Period.

Cumulative Interest Shortfall Payment Compounding Factor:

With respect to any Fixed Rate Payer Calculation Period, an amount equal to the sum of:

(a) 1.0; 

plus

(b) the product of:

(i) the sum of (A) the Relevant Rate plus (B) the Fixed Rate; and

(ii) the actual number of days in such Fixed Rate Payer Calculation Period divided by 360;

provided, however, that the Cumulative Interest Shortfall Payment Compounding Factor shall be deemed to be 1.0 during the period from but excluding the Effective Maturity Date to and including the Termination Date.

Relevant Rate:

With respect to a Fixed Rate Payer Calculation Period, the Floating Rate, expressed as a decimal number with seven decimal places, that would be determined if:

(a) the 2000 ISDA Definitions (and not the 2003 ISDA Credit Derivatives Definitions) applied to this paragraph;

(b) the Fixed Rate Payer Calculation Period were a "Calculation Period" for purposes of such determination; and

(c) the following terms applied:

(i) the Floating Rate Option were the Rate Source;

(ii) the Designated Maturity were the period that corresponds to the usual length of a Fixed Rate Payer Calculation Period; and

(iii) the Reset Date were the first day of the Calculation Period;

provided, however, that the Relevant Rate shall be deemed to be zero during the period from but excluding the Effective Maturity Date to and including the Termination Date.

Rate Source:

USD-LIBOR-BBA
Annex A

<table>
<thead>
<tr>
<th>Transaction Terms</th>
<th>Reference Obligation Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global ID:</td>
<td>Initial Face Amount (USD)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Dear Sir/Madam:

The purpose of this letter (the "Confirmation") is to confirm the terms and conditions of credit derivative transactions relating to mortgage backed securities entered into between us on the Trade Date specified below (each, a "Transaction"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

Lehman Brothers Special Financing Inc. ("Party A") and [insert CDO Name] ("Party B") agree that this Confirmation sets forth the terms applicable to separate Credit Derivative Transactions with respect to each mortgage backed security set forth in Annex A and each such mortgage backed security constituting a separate Reference Obligation with respect thereto and that a Confirmation in the form of this Confirmation shall be deemed to be entered into with respect to each such Credit Derivative Transaction.

Party A and Party B further agree that each Transaction (i) constitutes a separate and independent Transaction between Party A and Party B in respect of each Reference Obligation, (ii) shall not be affected by any other Transaction and (iii) shall operate independently of each other Transaction evidenced hereby.

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions (the "Credit Derivatives Definitions"), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Credit Derivatives Definitions and this Confirmation, this Confirmation shall govern.

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement, dated as of [ ], as amended and supplemented from time to time (the "Agreement"), between Party A and Party B. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

References in this Confirmation to the "Reference Obligation" shall be to the terms of the Reference Obligation (as defined below) set out in the Underlying Instruments (as defined below) as amended from time to time unless otherwise specified below.

The terms of each Transaction to which this Confirmation relates are as follows:
1. **General Terms:**

Trade Date: [ ]

Effective Date: [ ]

Scheduled Termination Date: Subject to paragraph 5, the Legal Final Maturity Date of the Reference Obligation, subject to adjustment in accordance with the Following Business Day Convention.

Termination Date: The last to occur of:

(a) the fifth Business Day following the Effective Maturity Date;

(b) the last Floating Rate Payer Payment Date;

(c) the last Delivery Date;

(d) the last Additional Fixed Amount Payment Date; and

(e) the last Release Date.

Floating Rate Payer: Party B ("Seller")

Fixed Rate Payer: Party A ("Buyer")

Calculation Agent: Party A

Calculation Agent City: New York

Business Day: New York

Business Day Convention: Following (which, with the exception of the Effective Date, the Final Amortization Date, each Reference Obligation Payment Date and the period end date of each Reference Obligation Calculation Period, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day).

Reference Entity: With respect to each Transaction, the entity set forth opposite the relevant Reference Obligation in Annex A

Reference Obligation: Each obligation specified in Annex A.

Section 2.30 of the Credit Derivatives Definitions shall not apply.

Original Principal Amount: As set forth opposite the relevant Reference Obligation in Annex A.

Legal Final Maturity Date: As set forth opposite the relevant Reference Obligation in Annex A.

Initial Factor: As set forth opposite the relevant Reference Obligation in Annex A.

Reference Policy: Not applicable

Reference Price: 100%
Applicable Percentage: With respect to a Reference Obligation, on any day, a percentage equal to $A$ divided by $B$.

"A" means the product of the Initial Face Amount and the Initial Factor as decreased on each Delivery Date by an amount equal to (a) the outstanding principal balance of Deliverable Obligations Delivered to Seller (as adjusted by the Relevant Amount, if any) divided by the Current Factor on such day multiplied by (b) the Initial Factor.

"B" means the product of the Original Principal Amount and the Initial Factor;

(a) as increased by the outstanding principal balance of any further issues by the Reference Entity that are fungible with and form part of the same legal series as the Reference Obligation; and

(b) as decreased by any cancellations of some or all of the Outstanding Principal Amount resulting from purchases of the Reference Obligation by or on behalf of the Reference Entity.

Initial Face Amount: As set forth opposite the Reference Obligation in Annex A

Reference Obligation Notional Amount: On the Effective Date, the product of:

(a) the Original Principal Amount;

(b) the Initial Factor; and

(c) the Applicable Percentage.

Following the Effective Date, the Reference Obligation Notional Amount will be:

(i) decreased on each day on which a Principal Payment is made by the relevant Principal Payment Amount;

(ii) decreased on the day, if any, on which a Failure to Pay Principal occurs by the relevant Principal Shortfall Amount;

(iii) decreased on each day on which a Writedown occurs by the relevant Writedown Amount;

(iv) increased on each day on which a Writedown Reimbursement occurs by any Writedown Reimbursement Amount in respect of a Writedown Reimbursement within paragraphs (ii) or of the definition of "Writedown Reimbursement"; and

(v) decreased on each Delivery Date by an amount equal to the relevant Exercise Amount minus the amount determined pursuant to paragraph (b) of "Physical Settlement Amount" below, provided that if any Relevant Amount is applicable, the Exercise Amount will also be deemed to be decreased by such Relevant Amount (or increased by the absolute value of such Relevant Amount if such Relevant Amount is
negative) with effect from such Delivery Date;

provided that if the Reference Obligation Notional Amount would be less than zero, it shall be deemed to be zero.

Initial Payment: With respect to each Transaction, the relevant Initial Payment set forth in Annex A attached hereto, which in the aggregate across all the Transactions referenced in Annex A shall equal USD [ ].

2. Fixed Payments:

Fixed Rate Payer: Buyer

Fixed Rate: As set forth opposite the relevant Reference Obligation in Annex A; subject to adjustment in accordance with paragraph 5 below.

Fixed Rate Payer Period End Date: The first day of each Reference Obligation Calculation Period.

Fixed Rate Payer Calculation Date: With respect to each Fixed Rate Payer Calculation Period, the day falling five Business Days after the Reference Obligation Payment Date occurring on the last day of such Fixed Rate Payer Calculation Period; provided that the final Fixed Rate Payer Calculation Date shall fall on the fifth Business Day following the Effective Maturity Date.

Fixed Rate Payer Payment Dates: With respect to each Fixed Rate Payer Calculation Period, the day falling five Business Days after the Reference Obligation Payment Date immediately prior to such Fixed Rate Payer Calculation Period; provided that (i) the initial Fixed Rate Payer Payment Date shall fall on the fifth Business Day following the Effective Date and (ii) the final Fixed Rate Payer Payment Date shall fall five Business Days after the Reference Obligation Payment Date immediately preceding the Effective Maturity Date.

For the avoidance of doubt, each Fixed Rate Payer Payment Date shall relate to the Reference Obligation Calculation Period in which it falls

Fixed Amount: With respect to any Fixed Rate Payer Payment Date, an amount equal to the product of:

(a) the Fixed Rate;

(b) the Reference Obligation Notional Amount outstanding on the last day of the Reference Obligation Calculation Period related to such Fixed Rate Payer Payment Date, as adjusted for any increases or decreases of the Reference Obligation Notional Amount on the Reference Obligation Payment Date immediately preceding the related Reference Obligation Payment Date; and

(c) the actual number of days in the related Fixed Rate Payer Calculation Period divided by 360.

Additional Fixed Amount Payment Dates: (a) Each Fixed Rate Payer Calculation Date; and

(b) in relation to each Additional Fixed Payment Event occurring after the second Business Day prior to the last Fixed Rate Payer Calculation
Date, the fifth Business Day after Buyer has received notification from the Calculation Agent of the occurrence of such Additional Fixed Payment Event.

Additional Fixed Payments: Following the occurrence of an Additional Fixed Payment Event in respect of the Reference Obligation, Buyer shall pay the relevant Additional Fixed Amount to Seller on the first Additional Fixed Amount Payment Date falling at least two Business Days (or in the case of an Additional Fixed Payment Event that occurs after the second Business Day prior to the last Fixed Rate Payer Calculation Date, five Business Days) after the delivery of a notice by the Calculation Agent to the parties stating that the related Additional Fixed Amount is due and showing in reasonable detail how such Additional Fixed Amount was determined; provided that any such notice must be given on or prior to the fifth Business Day following the day that is one calendar year after the Effective Maturity Date (or, if this Transaction is terminated as a result of the occurrence of an Early Termination Date, the day that is one calendar year after such Early Termination Date); subject to Floating Payment Escrow.

Additional Fixed Payment Event: The occurrence on or after the Effective Date and on or before the day that is one calendar year after the Effective Maturity Date (or, if this Transaction is terminated as a result of the occurrence of an Early Termination Date, the day that is one calendar year after such Early Termination Date) of a Writedown Reimbursement, a Principal Shortfall Reimbursement or an Interest Shortfall Reimbursement.

Additional Fixed Amount: With respect to each Additional Fixed Amount Payment Date, an amount equal to the sum of:

(a) the Writedown Reimbursement Payment Amount (if any);
(b) the Principal Shortfall Reimbursement Payment Amount (if any); and
(c) the Interest Shortfall Reimbursement Payment Amount (if any).

For the avoidance of doubt, each Writedown Reimbursement Payment Amount, Principal Shortfall Reimbursement Payment Amount or Interest Shortfall Reimbursement Payment Amount (as applicable) shall be calculated using the Applicable Percentage which takes into account the aggregate adjustment made to the Applicable Percentage in respect of all Delivery Dates that have occurred prior to the date of such calculation.

3. Floating Payments:

Floating Rate Payer: Seller

Floating Rate Payer Payment Dates: In relation to a Floating Amount Event, the first Fixed Rate Payer Calculation Date falling at least two Business Days (or in the case of a Floating Amount Event that occurs on the Legal Final Maturity Date or the Final Amortization Date, the fifth Business Day) after delivery of a notice by the Calculation Agent to the parties or a notice from by Buyer to Seller that the related Floating Amount is due and showing in reasonable detail how such Floating Amount was determined; provided that any such notice must be given on or prior to the fifth Business Day following the Effective Maturity Date.
Floating Payments: If a Floating Amount Event occurs, then on the relevant Floating Rate Payer Payment Date, Seller will pay the relevant Floating Amount to Buyer, subject to Floating Payment Escrow.

Floating Payment Escrow: Notwithstanding anything herein to the contrary, if the Rating Requirement is not satisfied on a Floating Rate Payer Payment Date, Buyer and Seller shall, prior to such Floating Rate Payer Payment Date, select an escrow agent reasonably acceptable to Buyer and Seller and execute an escrow agreement such that:

(i) each amount payable by Seller in connection with Floating Payments (or portion thereof) which relates to a Writedown Amount (each such amount, an "Escrowed Amount") shall be held in an escrow account until the earlier of (a) the day upon which the Rating Requirement is satisfied and (b) the first anniversary of the related Floating Rate Payer Payment Date (the later such date in respect of each Escrowed Amount, the "Release Date"); provided, however, if a Writedown Reimbursement in respect of a Writedown Amount occurs prior to the relevant Release Date of the related Escrowed Amount, that portion of the Escrowed Amount equal to the relevant Writedown Reimbursement Payment Amount will be paid by the escrow agent to the Seller on the related Additional Fixed Amount Payment Date; provided, further if the Rating Requirement with respect to Moody's is not satisfied on any Floating Rate Payer Payment Date, Escrowed Amounts on deposit in the Escrow Account shall be transferred to the Synthetic Security Issuer Account, and such Escrowed Amounts shall be held in the Synthetic Security Issuer Account until the Release Date with respect to such Escrowed Accounts; and

(ii) all costs or expenses incurred in connection with the Escrow Agreement shall be borne by Seller, subject to a cap of $7,500 per annum.

For avoidance of doubt, payment of an Escrowed Amount (or the relevant portion thereof) to Seller by the escrow agent in connection with a Writedown Reimbursement shall satisfy Buyer's obligation to pay the related Additional Fixed Payments.

Floating Amount Event: A Writedown, a Failure to Pay Principal or an Interest Shortfall.

Floating Amount: With respect to each Floating Rate Payer Payment Date, an amount equal to the sum of:

(a) the relevant Writedown Amount (if any);
(b) the relevant Principal Shortfall Amount (if any); and
(c) the relevant Interest Shortfall Payment Amount (if any).

For the avoidance of doubt, each Writedown Amount, Principal Shortfall Amount or Interest Shortfall Payment Amount (as applicable) shall be calculated using the Applicable Percentage which takes into account the aggregate adjustment made to the Applicable Percentage in respect of all Delivery Dates that have occurred prior to the date of such calculation.
Conditions to Settlement: Credit Event Notice

       Notifying Party: Buyer

Notice of Physical Settlement

Notice of Publicly Available Information: Applicable

       Public Sources: The public sources listed in Section 3.7 of the Credit Derivatives Definitions; provided that Servicer Reports in respect of the Reference Obligation and, in respect of a Distressed Ratings Downgrade Credit Event only, any public communications by any of the Rating Agencies in respect of the Reference Obligation shall also be deemed Public Sources.

       Specified Number: 1

provided that if the Calculation Agent has previously delivered a notice to the parties or Buyer has previously delivered a notice to Seller pursuant to the definition of "Floating Rate Payer Payment Dates" above in respect of a Writedown or a Failure to Pay Principal, the only Condition to Settlement with respect to any Credit Event shall be a Notice of Physical Settlement.

The parties agree that with respect to the Transaction and notwithstanding anything to the contrary in the Credit Derivatives Definitions:

(a) the Conditions to Settlement may be satisfied on more than one occasion;

(b) multiple Physical Settlement Amounts may be payable by Seller;

(c) Buyer, when providing a Notice of Physical Settlement, must specify an Exercise Amount and an Exercise Percentage;

(d) if Buyer has delivered a Notice of Physical Settlement that specifies an Exercise Amount that is less than the Reference Obligation Notional Amount as of the date on which such Notice of Physical Settlement is delivered (calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full), the rights and obligations of the parties under the Transaction shall continue and Buyer may deliver additional Notices of Physical Settlement with respect to the initial Credit Event or with respect to any additional Credit Event at any time thereafter; and

(e) any Notice of Physical Settlement shall be delivered no later than 30 calendar days after the fifth Business Day following the earlier of the Effective Maturity Date and the Optional Step-up Early Termination Date.

Section 3.2(d) of the Credit Derivatives Definitions is amended to delete the words "that is effective no later than thirty calendar days after the Event Determination Date".
Credit Events: The following Credit Events shall apply to this Transaction (and the first sentence of Section 4.1 of the Credit Derivatives Definitions shall be amended accordingly):

- Failure to Pay Principal
- Writedown

Obligation: Reference Obligation Only

4. **Interest Shortfall**

*Interest Shortfall Payment Amount:* In respect of an Interest Shortfall, the relevant Interest Shortfall Amount; provided that, if Interest Shortfall Cap is applicable and the Interest Shortfall Amount exceeds the Interest Shortfall Cap Amount, the Interest Shortfall Payment Amount in respect of such Interest Shortfall shall be the Interest Shortfall Cap Amount.

*Interest Shortfall Cap:* Applicable


*Actual Interest Amount:* With respect to any Reference Obligation Payment Date, payment by or on behalf of the Issuer of an amount in respect of interest due under the Reference Obligation (including, without limitation, any deferred interest or defaulted interest but excluding payments in respect of prepayment penalties, yield maintenance provisions or principal, except that the Actual Interest Amount shall include any payment of principal representing capitalized interest) to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

*WAC Cap Interest Provision:* Applicable.

For this purpose, “WAC Cap” means a weighted average coupon or weighted average rate cap provision (however defined in the Underlying Instruments) of the Underlying Instruments that limits, increases or decreases the interest rate or interest entitlement, as set out in the Underlying Instruments on the Effective Date without regard to any subsequent amendment.

*Expected Interest Amount:* With respect to any Reference Obligation Payment Date, the amount of current interest that would accrue during the related Reference Obligation Calculation Period calculated using the Reference Obligation Coupon on a principal balance of the Reference Obligation equal to:

(a) the Outstanding Principal Amount taking into account any reductions due to a principal deficiency balance or realized loss amount (however described in the Underlying Instruments) that are attributable to the Reference Obligation minus

(b) the Aggregate Implied Writedown Amount (if any)

and that will be payable on the related Reference Obligation Payment Date assuming for this purpose that sufficient funds are available therefor in accordance with the Underlying Instruments. Except as provided in (a) in the previous sentence, the Expected Interest Amount shall be determined without regard to (i) unpaid amounts in respect of accrued interest on prior Reference
Obligation Payment Dates, or (ii) any prepayment penalties or yield maintenance provisions.

The Expected Interest Amount shall be determined:

(x) if WAC Cap Interest Provision is applicable, after giving effect to any WAC Cap; and

(y) if WAC Cap Interest Provision is not applicable, without giving effect to any WAC Cap; and

in either case without regard to the effect of any provisions (however described) of such Underlying Instruments that otherwise permit the limitation of due payments to distributions of funds available from proceeds of the Underlying Assets, or that provide for the capitalization or deferral of interest on the Reference Obligation, or that provide for the extinguishing or reduction of such payments or distributions (but, for the avoidance of doubt, taking account of any Writedown within paragraph (i) of the definition of "Writedown" occurring in accordance with the Underlying Instruments).

Interest Shortfall: With respect to any Reference Obligation Payment Date, either (a) the non-payment of an Expected Interest Amount or (b) the payment of an Actual Interest Amount that is less than the Expected Interest Amount.

Interest Shortfall Amount: With respect to any Reference Obligation Payment Date, an amount equal to the greater of:

(a) zero; and

(b) the amount equal to the product of:

(i) (A) the Expected Interest Amount; minus

(B) the Actual Interest Amount; and

(ii) the Applicable Percentage;

provided that, with respect to the first Reference Obligation Payment Date only, the Interest Shortfall Amount shall be the amount determined in accordance with (a) and (b) above multiplied by a fraction equal to:

(x) the number of days in the first Fixed Rate Payer Calculation Period; over

(y) the number of days in the first Reference Obligation Calculation Period.

Interest Shortfall Reimbursement: With respect to any Reference Obligation Payment Date, the payment by or on behalf of the Issuer of an Actual Interest Amount in respect of the Reference Obligation that is greater than the Expected Interest Amount.

Interest Shortfall Reimbursement: With respect to any Reference Obligation Payment Date, the product of (a) the amount of any Interest Shortfall Reimbursement on such day and (b) the
Interest Shortfall Reimbursement Payment Amount:

If Interest Shortfall Cap is not applicable, the relevant Interest Shortfall Reimbursement Amount. If Interest Shortfall Cap is applicable, the amount determined pursuant to the Interest Shortfall Cap Annex.

5. **Consequences of Step up of the Reference Obligation Coupon**

Step-up provisions: Applicable

If the Step-up provisions are applicable, then the following provisions of this paragraph 5 shall apply.

Step-up: On any day, an increase in the Reference Obligation Coupon due to the failure of the Issuer or a third party to exercise, in accordance with the Underlying Instruments, a "clean up call" or other right to purchase, redeem, cancel or terminate (however described in the Underlying Instruments) the Reference Obligation.

Non Call Notification Date: The date of delivery by the Calculation Agent to the parties or by Buyer to Seller of a Non Call Notice.

Non Call Notice: A notice given by the Calculation Agent to the parties or by Buyer to Seller that the Reference Obligation has not been purchased, redeemed, cancelled or terminated by the Issuer or a third party, in accordance with the Underlying Instruments, pursuant to a "clean up call" or other right to purchase, redeem, cancel or terminate (however described in the Underlying Instruments) the Reference Obligation, which failure will result in the occurrence of a Step up.

Increase of the Fixed Rate: Subject to "Optional Step up Early Termination" below, upon the occurrence of a Step up, the Fixed Rate will be increased by the number of basis points by which the Reference Obligation Coupon is increased due to the Step-up, such increase to take effect as of the Fixed Rate Payer Payment Date immediately following the fifth Business Day after the Non-Call Notification Date.

Optional Step up Early Termination: No later than five Business Days after the Non-Call Notification Date, Buyer shall notify Seller (such notification, a "Buyer Step-up Notice") whether Buyer wishes to continue the Transaction at the increased Fixed Rate or to terminate the Transaction.

If Buyer elects to terminate the Transaction, the date of delivery of the Buyer Step-up Notice shall be the Scheduled Termination Date (such date, the "Optional Step-up Early Termination Date") and in such case "Increase of the Fixed Rate" in this paragraph 5 shall not apply.

No amount shall be payable by either party in respect of the Optional Step up Early Termination Date other than any Fixed Amount, Additional Fixed Amount, Floating Amount or Physical Settlement Amount calculated in accordance with the terms hereof. For the avoidance of doubt, the obligation of a party to pay any amount that has become due and payable under the Transaction and remains unpaid as at the Optional Step-up Early Termination Date shall not be affected by the occurrence of the Optional Step-up Early Termination Date.
If Buyer fails to deliver the Buyer Step-up Notice by the fifth Business Day after the Non-Call Notification Date, Buyer shall be deemed to have elected to continue the Transaction at the increased Fixed Rate as described under "Increase of the Fixed Rate".

If Buyer elects, or is deemed to have elected, to continue the Transaction at the increased Fixed Rate, the Transaction shall continue.

6. Settlement Terms

Settlement Method: Physical Settlement

Terms Relating to Physical Settlement:

Physical Settlement Period: Five Business Days

Deliverable Obligations: Exclude Accrued Interest

Deliverable Obligations: Deliverable Obligation Category: Reference Obligation Only

Physical Settlement Amount: An amount equal to:

(a) the product of the Exercise Amount and the Reference Price; minus
(b) the sum of:

(i) if the Aggregate Implied Writedown Amount is greater than zero, the product of (A) the Aggregate Implied Writedown Amount, (B) the Applicable Percentage, each as determined immediately prior to the relevant Delivery and (C) the relevant Exercise Percentage; and

(ii) the product of (A) the aggregate of all Writedown Amounts in respect of Writedowns within paragraph (i)(B) of the definition of "Writedown" minus the aggregate of all Writedown Reimbursement Amounts in respect of Writedown Reimbursements within paragraph (ii)(B) of the definition of "Writedown Reimbursement" and (B) the relevant Exercise Percentage;

provided that if the Physical Settlement Amount would exceed the product of:

(1) the Reference Obligation Notional Amount as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full; and
(2) the Exercise Percentage;
then the Physical Settlement Amount shall be deemed to be equal to such product.

Delayed Payment: With respect to a Delivery Date, if a Servicer Report that describes a Delayed Payment is delivered to holders of the Reference Obligation or to the Calculation Agent on or after such Delivery Date, Buyer will pay the applicable Delayed Payment Amount to Seller no later than five Business Days following such Delayed Payment.

Escrow: Applicable

Non-delivery by Buyer or occurrence of the Effective Maturity Date: If Buyer has delivered a Notice of Physical Settlement and:
(a) Buyer does not Deliver in full the Deliverable Obligations specified in that Notice of Physical Settlement on or prior to the Physical Settlement Date; or
(b) the Effective Maturity Date occurs after delivery of the Notice of Physical Settlement but before Buyer Delivers the Deliverable Obligations specified in that Notice of Physical Settlement;
then such Notice of Physical Settlement shall be deemed not to have been delivered and any reference in this Confirmation to a previously delivered Notice of Physical Settlement shall exclude any Notice of Physical Settlement that is deemed not to have been delivered. Sections 9.2(c)(ii) (except for the first sentence thereof), 9.3, 9.4, 9.5, 9.6, 9.9 and 9.10 of the Credit Derivatives Definitions shall not apply.

7. Additional Provisions:

(a) Delivery of Servicer Report
If either party makes a reasonable request in writing, the Calculation Agent agrees to provide such party with a copy of the most recent Servicer Report promptly following receipt of such request, if and to the extent such Servicer Report is reasonably available to the Calculation Agent (whether or not the Calculation Agent is a holder of the Reference Obligation). In addition, if a Floating Payment or an Additional Fixed Payment is due hereunder, then the Calculation Agent or the party that notifies the other party that the relevant Floating Payment or Additional Fixed Payment is due, as applicable, (the "Notifying Party") shall deliver a copy of any Servicer Report relevant to such payment that is requested by the party that is not the Notifying Party or by either party where the Notifying Party is the Calculation Agent, if and to the extent that such Servicer Report is reasonably available to the Notifying Party (whether or not the Notifying Party is a holder of the Reference Obligation).

(b) Calculation Agent and Buyer and Seller Determinations
The Calculation Agent shall be responsible for determining and calculating (i) the Fixed Amount payable on each Fixed Rate Payer Payment Date, (ii) the occurrence of a Floating Amount Event and the related Floating Amount and (iii) the occurrence of an Additional Fixed Payment Event and the related Additional Fixed Amount. The Calculation Agent shall make such determinations and calculations based solely on the basis of the Servicer Reports, to the extent such Servicer Reports are reasonably available to the Calculation
Agent. The Calculation Agent, as applicable, shall, as soon as practicable after making any of the determinations or calculations specified in (i) and (iii) above, notify the parties or the other party, as applicable, of such determinations and calculations.

(c) Adjustment of Calculation Agent Determinations

To the extent that a Servicer furnishes any Servicer Reports correcting information contained in previously issued Servicer Reports, and such corrections impact calculations pursuant to this Transaction, the calculations relevant to the Transaction shall be adjusted retroactively by the Calculation Agent to reflect the corrected information (provided that, for the avoidance of doubt, no amounts in respect of interest shall be payable by either party and provided that the Calculation Agent in performing the calculations pursuant to this paragraph will assume that no interest has accrued on any adjusted amount), and the Calculation Agent shall promptly notify both parties of any corrected payments required by either party. Any required corrected payments shall be made within five Business Days of the day on which such notification by the Calculation Agent is effective.

(d) No Implied Writedown Amounts or Implied Writedown Reimbursement Amounts

Notwithstanding anything herein to the contrary, no payments shall be made under this Transaction in connection with an Implied Writedown Amount or an Implied Writedown Reimbursement Amount. For the avoidance of doubt, any references to Implied Writedown shall be disregarded for the purposes of calculating Reference Obligation Notional Amount with respect to any Fixed Payment or Additional Fixed Payment.

8. Notice and Account Details:

Telephone, Telex and/or Facsimile Numbers and

Contact Details for Notices:

[ ]

With a copy of all notices to:

[ ]

Party B: Please Advise

Account Details:

Account Details of Party A:

Account Details of Party B: Please Advise
9. Additional Definitions and Amendments to the Credit Derivatives Definitions

(a) References in Sections 4.1, 8.2, 9.1 and 9.2(a) of the Credit Derivatives Definitions as well as Section 3(a)(iv) of the form of Novation Agreement set forth in Exhibit E to the Credit Derivatives Definitions to the Reference Entity shall be deemed to be references to both the Reference Entity and the Insurer in respect of the Reference Policy, if applicable.

(b) (i) The definition of "Publicly Available Information" in Section 3.5 of the Credit Derivatives Definitions shall be amended by (i) inserting the words "the Insurer in respect of the Reference Policy, if applicable" at the end of subparagraph (a)(ii)(A) thereof, (ii) inserting the words ", servicer, sub-servicer, master servicer" before the words "or paying agent" in subparagraph (a)(ii)(B) thereof and (iii) deleting the word "or" at the end of subparagraph (a)(iii) thereof and inserting at the end of subparagraph (a)(iv) thereof the following: "or (v) is information contained in a notice or on a website published by an internationally recognized rating agency that has at any time rated the Reference Obligation".

(ii) The definition of "Physical Settlement" in Section 8.1 of the Credit Derivatives Definitions shall be amended by (i) deleting the words "Physical Settlement Amount" from the last line of the second paragraph thereof and (ii) inserting in lieu thereof the words "Exercise Amount".

(iii) The definition of "Physical Settlement Date" in Section 8.4 of the Credit Derivatives Definitions shall be amended by deleting the last sentence thereof.

(c) For the purposes of this Transaction only, the following terms have the meanings given below:

"Actual Principal Amount" means, with respect to the Final Amortization Date or the Legal Final Maturity Date, an amount paid on such day by or on behalf of the Issuer in respect of principal (excluding any capitalized interest) to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

"Aggregate Implied Writedown Amount" means the greater of (i) zero and (ii) the aggregate of all Implied Writedown Amounts minus the aggregate of all Implied Writedown Reimbursement Amounts.

"Current Factor" means the factor of the Reference Obligation as specified in the most recent Servicer Report; provided that if the factor is not specified in the most recent Servicer Report, the Current Factor shall be the ratio equal to (i) the Outstanding Principal Amount as of such date, determined in accordance with the most recent Servicer Report over (ii) the Original Principal Amount.

"Current Period Implied Writedown Amount" means, in respect of a Reference Obligation Calculation Period, an amount determined as of the last day of such Reference Obligation Calculation Period equal to the greater of:

(i) zero; and

(ii) the product of:

(A) the Implied Writedown Percentage; and

(B) the greater of:

(1) zero; and

(2) the lesser of (x) the Pari Passu Amount and (y) the Pari Passu Amount plus the Senior Amount minus the aggregate outstanding asset pool balance securing the payment obligations on the Reference Obligation (all such outstanding asset pool balances as obtained by the Calculation Agent from the most recently dated
"Delayed Payment" means, with respect to a Delivery Date, a Principal Payment, Principal Shortfall Reimbursement or a Writedown Reimbursement within paragraph (i) of the definition of "Writedown Reimbursement" that is described in a Servicer Report delivered to holders of the Reference Obligation or to the Calculation Agent on or after such Delivery Date.

"Delayed Payment Amount" means, if persons who are holders of the Reference Obligation as of a date prior to a Delivery Date are paid a Delayed Payment on or after such Delivery Date, an amount equal to the product of (i) the sum of all such Delayed Payments, (ii) the Reference Price, (iii) the Applicable Percentage immediately prior to such Delivery Date and (iv) the Exercise Percentage.

"Distressed Ratings Downgrade" means that the Reference Obligation:

(i) if publicly rated by Moody's, (A) is downgraded to "Caa2" or below by Moody's or (B) has the rating assigned to it by Moody's withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; provided that if such Reference Obligation was assigned a public rating of "Baa3" or higher by Moody's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "Caa1" by Moody's within three calendar months after such withdrawal; or

(ii) if publicly rated by Standard & Poor's, (A) is downgraded to "CCC" or below by Standard & Poor's or (B) has the rating assigned to it by Standard & Poor's withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; provided that if such Reference Obligation was assigned a public rating of "BBB-" or higher by Standard & Poor's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Standard & Poor's within three calendar months after such withdrawal; or

(iii) if publicly rated by Fitch, (A) is downgraded to "CCC" or below by Fitch or (B) has the rating assigned to it by Fitch withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; provided that if such Reference Obligation was assigned a public rating of "BBB-" or higher by Fitch immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Fitch within three calendar months after such withdrawal.

"Effective Maturity Date" means the earlier of (a) the Scheduled Termination Date and (b) the Final Amortization Date.

"Exercise Amount" means, for purposes of the Transaction, an amount to which a Notice of Physical Settlement relates equal to the product of (i) the original face amount of the Reference Obligation to be Delivered by Buyer to Seller on the applicable Physical Settlement Date; and (ii) the Current Factor as of such date. The Exercise Amount to which a Notice of Physical Settlement relates shall (A) be equal to or less than the Reference Obligation Notional Amount (determined, for this purpose, without regard to the effect of any Writedown or Writedown Reimbursement within paragraphs (i)(B) or (iii) of "Writedown" or paragraphs (ii)(B) or (iii) of "Writedown Reimbursement", respectively) as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though the Physical Settlement of all previously delivered Notices of Physical Settlement has occurred in full and (B) not be less than the lesser of (1) the Reference Obligation Notional Amount as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full and (2) USD100,000. The cumulative original face amount of Deliverable Obligations specified in all Notices of Physical Settlement shall not at any time exceed the Initial Face Amount.

"Exercise Percentage" means, with respect to a Notice of Physical Settlement, a percentage equal to the original face amount of the Deliverable Obligations specified in such Notice of Physical Settlement divided by an amount
equal to (i) the Initial Face Amount minus (ii) the aggregate of the original face amount of all Deliverable Obligations specified in all previously delivered Notices of Physical Settlement.

"Expected Principal Amount" means, with respect to the Final Amortization Date or the Legal Final Maturity Date, an amount equal to (i) the Outstanding Principal Amount of the Reference Obligation payable on such day (excluding capitalized interest) assuming for this purpose that sufficient funds are available for such payment, where such amount shall be determined in accordance with the Underlying Instruments, minus (ii) the sum of (A) the Aggregate Implied Writedown Amount (if any) and (B) the net aggregate principal deficiency balance or realized loss amounts (however described in the Underlying Instruments) that are attributable to the Reference Obligation. The Expected Principal Amount shall be determined without regard to the effect of any provisions (however described) of the Underlying Instruments that permit the limitation of due payments or distributions of funds in accordance with the terms of such Reference Obligation or that provide for the extinguishing or reduction of such payments or distributions.

"Failure to Pay Principal" means (i) a failure by the Reference Entity (or any Insurer) to pay an Expected Principal Amount on the Final Amortization Date or the Legal Final Maturity Date, as the case may be or (ii) payment on any such day of an Actual Principal Amount that is less than the Expected Principal Amount; provided that the failure by the Reference Entity (or any Insurer) to pay any such amount in respect of principal in accordance with the foregoing shall not constitute a Failure to Pay Principal if such failure has been remedied within any grace period applicable to such payment obligation under the Underlying Instruments or, if no such grace period is applicable, within three Business Days after the day on which the Expected Principal Amount was scheduled to be paid.

"Final Amortization Date" means the first to occur of (i) the date on which the Reference Obligation Notional Amount is reduced to zero and (ii) the date on which the assets securing the Reference Obligation or designated to fund amounts due in respect of the Reference Obligation are liquidated, distributed or otherwise disposed of in full and the proceeds thereof are distributed or otherwise disposed of in full.

"Fitch" means Fitch Ratings or any successor to its rating business.

"Implied Writedown Amount" means, (i) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) of the definition of "Writedown" to occur in respect of the Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Calculation Agent equal to the excess, if any, of the Current Period Implied Writedown Amount over the Previous Period Implied Writedown Amount, in each case in respect of the Reference Obligation Calculation Period to which such Reference Obligation Payment Date relates, and (ii) in any other case, zero.

"Implied Writedown Reimbursement Amount" means, (i) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) of the definition of "Writedown" to occur in respect of the Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Calculation Agent equal to the excess, if any, of the Previous Period Implied Writedown Amount over the Current Period Implied Writedown Amount, in each case in respect of the Reference Obligation Calculation Period to which such Reference Obligation Payment Date relates, and (ii) in any other case, zero; provided that the aggregate of all Implied Writedown Reimbursement Amounts at any time shall not exceed the product of the Pari Passu Amount and the Implied Writedown Percentage.

"Legal Final Maturity Date" means the date set out in paragraph 1 above (subject, for the avoidance of doubt, to any business day convention applicable to the legal final maturity date of the Reference Obligation), provided that if the legal final maturity date of the Reference Obligation is amended, the Legal Final Maturity Date shall be such date as amended.

"Moody's" means Moody's Investors Service, Inc. or any successor to its rating business.
"Outstanding Principal Amount" means, as of any date of determination with respect to the Reference Obligation, the outstanding principal balance of the Reference Obligation as of such date, which shall take into account:

(i) all payments of principal;

(ii) all writedowns or applied losses (however described in the Underlying Instruments) resulting in a reduction in the outstanding principal balance of the Reference Obligation (other than as a result of a scheduled or unscheduled payment of principal);

(iii) forgiveness of any amount by the holders of the Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the outstanding principal balance of the Reference Obligation;

(iv) any payments reducing the amount of any reductions described in (ii) and (iii) of this definition; and

(v) any increase in the outstanding principal balance of the Reference Obligation that reflects a reversal of any prior reductions described in (ii) and (iii) of this definition.

"Pari Passu Amount" means, as of any date of determination, the aggregate of the Outstanding Principal Amount of the Reference Obligation and the aggregate outstanding principal balance of all obligations of the Reference Entity secured by the Underlying Assets and ranking pari passu in priority with the Reference Obligation.

"Previous Period Implied Writedown Amount" means, in respect of a Reference Obligation Calculation Period, the Current Period Implied Writedown Amount as determined in relation to the last day of the immediately preceding Reference Obligation Calculation Period.

"Principal Payment" means, with respect to any Reference Obligation Payment Date, the occurrence of a payment of an amount to the holders of the Reference Obligation in respect of principal (scheduled or unscheduled) in respect of the Reference Obligation other than a payment in respect of principal representing capitalized interest, excluding, for the avoidance of doubt, any Writedown Reimbursement or Interest Shortfall Reimbursement.

"Principal Payment Amount" means, with respect to any Reference Obligation Payment Date, an amount equal to the product of (i) the amount of any Principal Payment on such date and (ii) the Applicable Percentage.

"Principal Shortfall Amount" means, in respect of a Failure to Pay Principal, an amount equal to the greater of:

(i) zero; and

(ii) the amount equal to the product of:

(A) the Expected Principal Amount minus the Actual Principal Amount;

(B) the Applicable Percentage; and

(C) the Reference Price.

If the Principal Shortfall Amount would be greater than the Reference Obligation Notional Amount immediately prior to the occurrence of such Failure to Pay Principal, then the Principal Shortfall Amount shall be deemed to be equal to the Reference Obligation Notional Amount at such time.

"Principal Shortfall Reimbursement" means, with respect to any day, the payment by or on behalf of the Issuer of an amount in respect of the Reference Obligation in or toward the satisfaction of any deferral of or failure to pay principal arising from one or more prior occurrences of a Failure to Pay Principal.

"Principal Shortfall Reimbursement Amount" means, with respect to any day, the product of (i) the amount of any Principal Shortfall Reimbursement on such day, (ii) the Applicable Percentage and (iii) the Reference Price.
"Principal Shortfall Reimbursement Payment Amount" means, with respect to an Additional Fixed Amount Payment Date, the sum of the Principal Shortfall Reimbursement Amounts in respect of all Principal Shortfall Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such Additional Fixed Amount Payment Date, provided that the aggregate of all Principal Shortfall Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by Seller in respect of occurrences of Failure to Pay Principal prior to such Additional Fixed Amount Payment Date.

"Rating Agencies" means Fitch, Moody's and Standard & Poor's.

"Rating Requirement" means, (i) either (A) the long-term debt obligations of the Buyer or its Credit Support Provider are rated at least Aa3 by Moody's (and if rated Aa3, such rating is not on watch for possible downgrade) or (B)(1) the short-term debt obligations of the Buyer or its Credit Support Provider are rated at least P-1 by Moody's (and if rated P-1, such rating is not on watch for possible downgrade) and (2) the long-term debt obligations of the Buyer or its Credit Support Provider are rated at least A1 by Moody's (and if rated A1, such rating is not on watch for possible downgrade), and (ii) either (A) the long-term debt obligations of the Buyer or its Credit Support Provider are rated at least AA- by Standard & Poor's, or if a Rating Condition (as defined in the Indenture) with respect to Standard & Poor's has been obtained, A+, and so long as the required posting is made, or (B) the short-term debt obligations of the Buyer or its Credit Support Provider are rated A-1+ by Standard & Poor's.

"Reference Obligation Calculation Period" means, with respect to each Reference Obligation Payment Date, a period corresponding to the interest accrual period relating to such Reference Obligation Payment Date pursuant to the Underlying Instruments.

"Reference Obligation Coupon" means the periodic interest rate applied in relation to each Reference Obligation Calculation Period on the related Reference Obligation Payment Date, as determined in accordance with the terms of the Underlying Instruments as at the Effective Date, without regard to any subsequent amendment.

"Reference Obligation Payment Date" means (i) each scheduled distribution date for the Reference Obligation occurring on or after the Effective Date and on or prior to the Scheduled Termination Date, determined in accordance with the Underlying Instruments and (ii) any day after the Effective Maturity Date on which a payment is made in respect of the Reference Obligation.

"Relevant Amount" means, if a Servicer Report that describes a Principal Payment, Writedown or Writedown Reimbursement (other than a Writedown Reimbursement within paragraph (i) of "Writedown Reimbursement"), in each case that has the effect of decreasing or increasing the interest accruing principal balance of the Reference Obligation as of a date prior to a Delivery Date but such Servicer Report is delivered to holders of the Reference Obligation or to the Calculation Agent on or after such Delivery Date, an amount equal to the product of (i) the sum of any such Principal Payment (expressed as a positive amount), Writedown (expressed as a positive amount) or Writedown Reimbursement (expressed as a negative amount), as applicable; (ii) the Reference Price; (iii) the Applicable Percentage immediately prior to such Delivery Date; and (iv) the Exercise Percentage.

"Senior Amount" means, as of any day, the aggregate outstanding principal balance of all obligations of the Reference Entity secured by the Underlying Assets and ranking senior in priority to the Reference Obligation.

"Servicer" means any trustee, servicer, sub servicer, master servicer, fiscal agent, paying agent or other similar entity responsible for calculating payment amounts or providing reports pursuant to the Underlying Instruments.

"Servicer Reports" means periodic statements or reports regarding the Reference Obligation provided by the Servicer to holders of the Reference Obligation.

"Standard & Poor's" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. or any successor to its rating business.

"Underlying Assets" means the assets securing the Reference Obligation for the benefit of the holders of the Reference Obligation and which are expected to generate the cashflows required for the servicing and repayment (in
whole or in part) of the Reference Obligation, or the assets to which a holder of such Reference Obligation is economically exposed where such exposure is created synthetically.

"Underlying Instruments" means the indenture, trust agreement, pooling and servicing agreement or other relevant agreement(s) setting forth the terms of the Reference Obligation.

"Writedown" means the occurrence at any time on or after the Effective Date of:

(i) (A) a writedown or applied loss (however described in the Underlying Instruments) resulting in a reduction in the Outstanding Principal Amount (other than as a result of a scheduled or unscheduled payment of principal); or

(B) the attribution of a principal deficiency or realized loss (however described in the Underlying Instruments) to the Reference Obligation resulting in a reduction or subordination of the current interest payable on the Reference Obligation;

(ii) the forgiveness of any amount of principal by the holders of the Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the Outstanding Principal Amount; or

(iii) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) above to occur in respect of the Reference Obligation, an Implied Writedown Amount being determined in respect of the Reference Obligation by the Calculation Agent;

provided that if Party A holds of the Reference Obligation, Party A shall not vote to approve any writedown or applied loss (as set forth in clause (i)(A) hereof); provided further, if Party A votes for any writedown or applied loss, then any related writedown or loss amount shall not be a Floating Amount and shall not be payable by Party B.

"Writedown Amount" means, with respect to any day, the product of (i) the amount of any Writedown on such day, (ii) the Applicable Percentage and (iii) the Reference Price.

"Writedown Reimbursement" means, with respect to any day, the occurrence of:

(i) a payment by or on behalf of the Issuer of an amount in respect of the Reference Obligation in reduction of any prior Writedowns;

(ii) (A) an increase by or on behalf of the Issuer of the Outstanding Principal Amount of the Reference Obligation to reflect the reversal of any prior Writedowns; or

(B) a decrease in the principal deficiency balance or realized loss amounts (however described in the Underlying Instruments) attributable to the Reference Obligation; or

(iii) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (ii) above to occur in respect of the Reference Obligation, an Implied Writedown Reimbursement Amount being determined in respect of the Reference Obligation by the Calculation Agent.

"Writedown Reimbursement Amount" means, with respect to any day, an amount equal to the product of:

(i) the sum of all Writedown Reimbursements on that day;

(ii) the Applicable Percentage; and

(iii) the Reference Price.
"Writedown Reimbursement Payment Amount" means, with respect to an Additional Fixed Amount Payment Date, the sum of the Writedown Reimbursement Amounts in respect of all Writedown Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such Additional Fixed Amount Payment Date, provided that the aggregate of all Writedown Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by Seller in respect of Writedowns occurring prior to such Additional Fixed Amount Payment Date.
Please confirm your agreement to be bound by the terms of the foregoing by executing a copy of this Confirmation and returning it to us by facsimile.

Yours sincerely,

**Lehman Brothers Special Financing Inc.**

By: ______________________

Name:

Title:

Confirmed as of the date first above written:

[                        ]

By: ______________________

Name:

Title:
Interest Shortfall Cap Annex

If Interest Shortfall Cap is applicable, then the following provisions will apply:

Interest Shortfall Cap Basis: Fixed Cap

Interest Shortfall Cap Amount: If the Interest Shortfall Cap Basis is Fixed Cap, the Interest Shortfall Cap Amount in respect of an Interest Shortfall shall be the Fixed Amount calculated in respect of the Fixed Rate Payer Payment Date immediately prior to the Reference Obligation Payment Date on which the relevant Interest Shortfall occurred.

If the Interest Shortfall Cap Basis is Variable Cap, the Interest Shortfall Cap Amount applicable in respect of a Floating Rate Payer Payment Date shall be an amount equal to the product of:

(a) the sum of the Relevant Rate and the Fixed Rate applicable to the Fixed Rate Payer Calculation Period immediately preceding the Reference Obligation Payment Date on which the relevant Interest Shortfall occurs;

(b) the amount determined by the Calculation Agent under sub clause (b) of the definition of "Fixed Amount" in relation to the relevant Fixed Rate Payer Payment Date; and

(c) the actual number of days in such Fixed Rate Payer Calculation Period divided by 360.

Interest Shortfall Reimbursement Payment Amount: If Interest Shortfall Cap is applicable, then with respect to the first Additional Fixed Amount Payment Date, zero, and with respect to any subsequent Additional Fixed Amount Payment Date and calculated as of the Reference Obligation Payment Date immediately preceding such Additional Fixed Amount Payment Date, as specified by the Calculation Agent in its notice to the parties or by Seller in its notice to Buyer of the existence of an Interest Shortfall Reimbursement, an amount equal to the greater of:

(a) zero; and

(b) the amount equal to:

(i) the product of:

(A) the Cumulative Interest Shortfall Payment Amount as of the Additional Fixed Amount Payment Date immediately preceding such Reference Obligation Payment Date; and

(B) the relevant Cumulative Interest Shortfall Payment Compounding Factor for the Fixed Rate Payer Calculation Period immediately preceding such Additional Fixed Amount Payment Date (or 1.0 in respect of any Additional Fixed Amount Payment Date occurring after the final Fixed Rate Payer Calculation Date);
minus

(ii) the Cumulative Interest Shortfall Amount as of such Reference Obligation Payment Date;

provided that if the Interest Shortfall Reimbursement Payment Amount on an Additional Fixed Amount Payment Date would exceed the Interest Shortfall Reimbursement Amount in respect of the related Reference Obligation Payment Date, then such Interest Shortfall Reimbursement Payment Amount shall be deemed to be equal to such Interest Shortfall Reimbursement Amount.

Cumulative Interest Shortfall Amount

With respect to any Reference Obligation Payment Date, an amount equal to the greater of:

(a) zero; and

(b) an amount equal to:

(i) the Cumulative Interest Shortfall Amount as of the Reference Obligation Payment Date immediately preceding such Reference Obligation Payment Date or, in the case of the first Reference Obligation Payment Date, zero; plus

(ii) the Interest Shortfall Amount (if any) in respect of such Reference Obligation Payment Date; plus

(iii) an amount determined by the Calculation Agent as the amount of interest that would accrue on the Cumulative Interest Shortfall Amount immediately preceding such Reference Obligation Payment Date during the related Reference Obligation Calculation Period pursuant to the Underlying Instruments or, in the case of the first Reference Obligation Payment Date, zero; minus

(iv) the Interest Shortfall Reimbursement Amount (if any) in respect of such Reference Obligation Payment Date.

Upon the occurrence of each Delivery, the Cumulative Interest Shortfall Amount shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following such Delivery divided by (b) the Applicable Percentage immediately prior to such Delivery; provided, however, that if more than one Delivery is made during a Reference Obligation Calculation Period, the Cumulative Interest Shortfall Amount calculated as of the Reference Obligation Payment Date occurring immediately after such Reference Obligation Calculation Period shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following the final Delivery made during such Reference Obligation Calculation Period and (b) the Applicable Percentage immediately prior to the first Delivery made during such Reference Obligation Calculation Period.

Cumulative Interest Shortfall The Cumulative Interest Shortfall Payment Amount with respect to any Fixed Rate Payer Payment Date and any Additional Fixed Amount Payment Date
Payment Amount: falling on such Fixed Rate Payer Payment Date shall be an amount equal to the greater of:

(a) zero; and

(b) the amount equal to:

(i) the sum of:

(A) the Interest Shortfall Payment Amount for the Reference Obligation Payment Date corresponding to such Fixed Rate Payer Calculation Date; and

(B) the product of:

(1) the Cumulative Interest Shortfall Payment Amount as of the Fixed Rate Payer Calculation Date immediately preceding such Fixed Rate Payer Payment Date (or zero in the case of the first Fixed Rate Payer Calculation Date); and

(2) the relevant Cumulative Interest Shortfall Payment Compounding Factor;

minus

(ii) any Interest Shortfall Reimbursement Payment Amount paid on such Fixed Rate Payer Calculation Date

With respect to any Additional Fixed Amount Payment Date falling after the final Fixed Rate Payer Calculation Date, the Cumulative Interest Shortfall Payment Amount shall be equal to:

(x) the Cumulative Interest Shortfall Payment Amount as of the Additional Fixed Amount Payment Date immediately preceding such Additional Fixed Amount Payment Date (or as of the final Fixed Rate Payer Calculation Date in the case of the first Additional Fixed Amount Payment Date occurring after the final Fixed Rate Payer Calculation Date); minus

(y) any Interest Shortfall Reimbursement Payment Amount paid on such Additional Fixed Amount Payment Date.

Upon the occurrence of each Delivery, the Cumulative Interest Shortfall Payment Amount shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following such Delivery divided by (b) the Applicable Percentage immediately prior to such Delivery; provided, however, that if more than one Delivery is made during a Reference Obligation Calculation Period, the Cumulative Interest Shortfall Payment Amount calculated as of the Reference Obligation Payment Date occurring immediately after such Reference Obligation Calculation Period shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following the final Delivery
made during such Reference Obligation Calculation Period and (b) the Applicable Percentage immediately prior to the first Delivery made during such Reference Obligation Calculation Period.

Cumulative Interest Shortfall Payment Compounding Factor:

With respect to any Fixed Rate Payer Calculation Period, an amount equal to the sum of:

(a) 1.0;

plus

(b) the product of:

(i) the sum of (A) the Relevant Rate plus (B) the Fixed Rate; and

(ii) the actual number of days in such Fixed Rate Payer Calculation Period divided by 360;

provided, however, that the Cumulative Interest Shortfall Payment Compounding Factor shall be deemed to be 1.0 during the period from but excluding the Effective Maturity Date to and including the Termination Date.

Relevant Rate:

With respect to a Fixed Rate Payer Calculation Period, the Floating Rate, expressed as a decimal number with seven decimal places, that would be determined if:

(a) the 2000 ISDA Definitions (and not the 2003 ISDA Credit Derivatives Definitions) applied to this paragraph;

(b) the Fixed Rate Payer Calculation Period were a "Calculation Period" for purposes of such determination; and

(c) the following terms applied:

(i) the Floating Rate Option were the Rate Source;

(ii) the Designated Maturity were the period that corresponds to the usual length of a Fixed Rate Payer Calculation Period; and

(iii) the Reset Date were the first day of the Calculation Period;

provided, however, that the Relevant Rate shall be deemed to be zero during the period from but excluding the Effective Maturity Date to and including the Termination Date.

Rate Source: USD-LIBOR-BBA
Annex A

<table>
<thead>
<tr>
<th>Global ID:</th>
<th>Initial Face Amount (USD)</th>
<th>Initial Payment (USD)</th>
<th>Initial Factor</th>
<th>Fixed Rate (%)</th>
<th>Legal final maturity date</th>
<th>Original Principal Amount (USD)</th>
<th>Issuer</th>
<th>Bloomberg ID:</th>
<th>ISIN / CUSIP</th>
<th>Spread/Coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SCHEDULE J
INDEX OF DEFINED TERMS

Following is an index of defined terms used in this Offering Circular and the page number where each definition appears.

25% Threshold................................................. 123
A Security.......................................................... 74
A/B Exchange.................................................... 74
ABS Type Diversified ABS Securities ............. F-2
ABS Type Diversified Residential Securities...... F-2
ABS Type High-Diversity CDO Security........... F-2
ABS Type Low-Diversity CDO Security............. F-2
ABS Type Undiversified ABS Securities.......... F-2
Accelerated Amortization Date.................... 2, 40
Accelerated Maturity Date............................. 19, 59
Accounts.......................................................... 4, 71
Actual Interest Amount..................................... 85
Administration Agreement............................ 106
Administrator.................................................. 106
Affiliate............................................................. 28
Aggregate Principal/Notional Balance............ 40
Aggregate WAS Change..................................... 89
Aggregate WAC Change Test.......................... 89
Aggregate WAS Change Test........................... 89
Allocation Procedures................................... 74
Alternative Debt Test...................................... 74
Applicable Procedures................................... 53
Applicable Recovery Rate.............................. 40
Asset-Backed Security.................................... 71
Asset-Backed Security.................................... 71
Auction............................................................ 11, 48
Auction Agent.................................................. 11, 49
Auction Agent Fees........................................ 112
Auction Call Redemption................................. 11, 50
Auction Call Redemption Date........................ 49
Auction Date.................................................... 11, 49
Auction Procedures......................................... 11, 48, B-1
Auction Purchase Agreement......................... B-1
Automobile Securities..................................... 78
Average Life..................................................... 94
B Security........................................................ 74
Bankruptcy Event.......................................... 40
Base Rate......................................................... 33
Base Rate Reference Bank.............................. 33
Business Day................................................... 35
Calculation Agent.......................................... 32
Calculation Amount........................................ 40
Car Rental Fleet Securities............................ 78
cause.............................................................. 113
CDO Securities............................................... 78
CFC................................................................. 119
Class............................................................... 1

Class A Notes................................................. 1, 1
Class A/B Coverage Tests.............................. 46
Class A/B Overcollateralization Ratio............. 46
Class A/B Interest Coverage Test.................. 47
Class A/B Interest Coverage Ratio.................. 47
Class A/B Overcollateralization Test............. 46
Class A/B Coverage Tests......................... 46
Class A Security................................................. 74
Class A-1 Notes............................................... 1, 1
Class A-2 Notes............................................... 1, 1
Class B Notes................................................... 1, 1
Class C Notes................................................... 1, 1
Class C Coverage Tests................................. 46
Class C Deferral Interest......................... 9, 32
Class C Interest Coverage Ratio................... 46
Class C Interest Coverage Test.................... 47
Class C Notes................................................... 1, 1
Class C Overcollateralization Ratio............. 46
Class C Overcollateralization Test............. 46
Class D Notes................................................... 1, 1
Class D Deferral Interest......................... 9, 32
Class D Coverage Tests......................... 46
Class D Interest Coverage Ratio.................. 46
Class D Interest Coverage Test.................... 48
Class D Overcollateralization Ratio............ 46
Class D Overcollateralization Test............. 46
Class E Notes................................................... 1
Class E Deferred Interest......................... 9, 32
Class E Notes................................................... 1
Clean-Up Call Redemption....................... 12, 50
Closing Date................................................... 1
CMBS Securities............................................. 79
Code......................................................... iv, 122
Co-Issuer......................................................... 1, 3
Collateral......................................................... 4, 71
Collateral Administration Agreement............ 65
Collateral Administrator............................. 65
Collateral Imbalance Date......................... 98
Collateral Manager......................................... 65
Collateral Manager Group........................... 74
Collateral Manager Securities...................... 28
Collateral Quality Tests............................. 87
Collection Accounts................................... 100
Company....................................................... 121
Confirmation............................................... 6, 81
Controlling Class......................................... 58
Controlling Person....................................... 123
Coverage Tests........................................... 45
CPDs.......................................................... 118
Credit Card Securities............................... 79
Credit Derivatives Definitions.................... 6, 81
<table>
<thead>
<tr>
<th>Term</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Poor's CDO Evaluator</td>
<td>88</td>
</tr>
<tr>
<td>Standard &amp; Poor's Minimum Weighted Average Recovery Rate Test</td>
<td>88</td>
</tr>
<tr>
<td>Standard &amp; Poor's Rating</td>
<td>88</td>
</tr>
<tr>
<td>Standard &amp; Poor's Weighted Average Recovery Rate Test</td>
<td>88</td>
</tr>
<tr>
<td>Stated Maturity</td>
<td>9</td>
</tr>
<tr>
<td>Student Loan Securities</td>
<td>81</td>
</tr>
<tr>
<td>Subordinate</td>
<td>1, 31</td>
</tr>
<tr>
<td>Sub-Prime Securities</td>
<td>81</td>
</tr>
<tr>
<td>Subscription Agreements</td>
<td>2</td>
</tr>
<tr>
<td>Subsequent Auction Call Date</td>
<td>11, 49</td>
</tr>
<tr>
<td>Substituted Collateral Account</td>
<td>103</td>
</tr>
<tr>
<td>Substituted Collateral Proceeds</td>
<td>5, 91, 94</td>
</tr>
<tr>
<td>Substitution</td>
<td>95</td>
</tr>
<tr>
<td>Substitution Criteria</td>
<td>95</td>
</tr>
<tr>
<td>Synthetic Security</td>
<td>6, 81</td>
</tr>
<tr>
<td>Synthetic Security Calculation Agent</td>
<td>82</td>
</tr>
<tr>
<td>Synthetic Security Collateral Account</td>
<td>104</td>
</tr>
<tr>
<td>Synthetic Security Collateral Amount</td>
<td>6, 82</td>
</tr>
<tr>
<td>Synthetic Security Counterparties</td>
<td>6, 82</td>
</tr>
<tr>
<td>Synthetic Security Issuer Account</td>
<td>105</td>
</tr>
<tr>
<td>Synthetic Security Payment Amount</td>
<td>83</td>
</tr>
<tr>
<td>Synthetic Security Termination/Novation Payment (Issuer)</td>
<td>84</td>
</tr>
<tr>
<td>Tax Event</td>
<td>51</td>
</tr>
<tr>
<td>Tax Materiality Condition</td>
<td>51</td>
</tr>
<tr>
<td>Tax Redemption</td>
<td>12, 51</td>
</tr>
<tr>
<td>Temporary Regulation S Global Notes</td>
<td>ii</td>
</tr>
<tr>
<td>THE CODE</td>
<td>132</td>
</tr>
<tr>
<td>Transfer Agent</td>
<td>53</td>
</tr>
<tr>
<td>Treasury</td>
<td>29</td>
</tr>
<tr>
<td>Trustee</td>
<td>i</td>
</tr>
<tr>
<td>Two Year Date</td>
<td>91</td>
</tr>
<tr>
<td>U.S. Dollars</td>
<td>ii</td>
</tr>
<tr>
<td>U.S. Holder</td>
<td>116</td>
</tr>
<tr>
<td>U.S.$</td>
<td>ii</td>
</tr>
<tr>
<td>Underlying Assets</td>
<td>3</td>
</tr>
<tr>
<td>Underlying Instruments</td>
<td>45</td>
</tr>
<tr>
<td>Uninvested Proceeds</td>
<td>45</td>
</tr>
<tr>
<td>Uninvested Proceeds Account</td>
<td>103</td>
</tr>
<tr>
<td>USA PATRIOT Act</td>
<td>29</td>
</tr>
<tr>
<td>USD</td>
<td>ii</td>
</tr>
<tr>
<td>Voting Percentage</td>
<td>45</td>
</tr>
<tr>
<td>WAC Change</td>
<td>89</td>
</tr>
<tr>
<td>Warehouse Facility</td>
<td>29</td>
</tr>
<tr>
<td>WAS Change</td>
<td>89</td>
</tr>
<tr>
<td>Weighted Average Coupon</td>
<td>89</td>
</tr>
<tr>
<td>Weighted Average Coupon Test</td>
<td>89</td>
</tr>
<tr>
<td>Weighted Average Rating</td>
<td>D-1</td>
</tr>
<tr>
<td>Weighted Average Spread</td>
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</tr>
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