

SYMPHONY CLO IV, Ltd.

**Symphony Asset Management LLC
Collateral Manager**

U.S.\$300,000,000 Class A Senior Notes Due 2021
U.S.\$32,000,000 Class B Senior Notes Due 2021
U.S.\$24,000,000 Class C Deferrable Mezzanine Notes Due 2021
U.S.\$12,500,000 Class D Deferrable Mezzanine Notes Due 2021
U.S.\$13,000,000 Class E Deferrable Junior Notes Due 2021
U.S.\$31,000,000 Subordinated Notes Due 2021

Symphony CLO IV, Ltd., a Cayman Islands exempted limited liability company (the "**Issuer**"), will issue the Class A Senior Notes Due 2021 (the "**Class A Senior Notes**"), the Class B Senior Notes Due 2021 (the "**Class B Senior Notes**" and, together with the Class A Senior Notes, the "**Senior Notes**"), the Class C Deferrable Mezzanine Notes Due 2021 (the "**Class C Mezzanine Notes**"), the Class D Deferrable Mezzanine Notes Due 2021 (the "**Class D Mezzanine Notes**" and, together with the Class C Mezzanine Notes, the "**Mezzanine Notes**"), the Class E Deferrable Junior Notes Due 2021 (the "**Class E Junior Notes**" and, together with the Senior Notes and the Mezzanine Notes, the "**Rated Notes**") and the Subordinated Notes Due 2021 (the "**Subordinated Notes**" and, together with the Rated Notes, the "**Notes**" or the "**Securities**"), in the respective principal amounts set forth above pursuant to an Indenture, to be dated as of the Closing Date (the "**Indenture**"), between the Issuer and Citibank, N.A., as trustee (in such capacity and, including any successor thereto in such capacity, the "**Trustee**"). Symphony Asset Management LLC will serve as the Collateral Manager (in such capacity and, including any successor thereto in such capacity, the "**Collateral Manager**") for the Issuer. Capitalized terms are used as defined herein.

This Offering Memorandum constitutes the Prospectus (the "**Prospectus**") for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"). Application has been made to the Irish Financial Services Regulatory Authority (the "**Financial Regulator**"), as competent authority under the Prospectus Directive for the Prospectus to be approved. Approval by the Financial Regulator relates only to the Notes that are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of the Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. Any foreign language text that is included within this document is for convenience purposes only and does not form part of the Prospectus. Application will be made to The Irish Stock Exchange Limited for the Notes to be admitted to the Official List and to trading on its regulated market. There can be no assurance that such admission will be granted or maintained. Application will be made to designate the Class E Junior Notes for trading through the National Association of Securities Dealers, Inc.'s PORTAL system.

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It is a condition of the issuance of the Securities that the Class A Senior Notes be rated "Aaa" and "AAA" by Moody's Investors Service ("**Moody's**") and by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("**S&P**"), respectively, that the Class B Senior Notes be rated at least "Aa2" and "AA" by Moody's and by S&P, respectively, that the Class C Mezzanine Notes be rated at least "A2" and "A" by Moody's and by S&P, respectively, that the Class D Mezzanine Notes be rated at least "Baa2" and "BBB" by Moody's and by S&P, respectively, and that the Class E Junior Notes be rated at least "Ba2" and "BB" by Moody's and by S&P, respectively, with respect to ultimate payment of interest and principal. **The Subordinated Notes will not be rated.**

The Notes will be initially offered at 100% of their principal amount or at such other prices as may be negotiated at the time of sale.

See "**Risk Factors**" for a description of certain information that should be considered in connection with an investment in the Notes.

THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND ARE BEING OFFERED ONLY (I) IN THE UNITED STATES TO PERSONS THAT ARE BOTH QUALIFIED INSTITUTIONAL BUYERS UNDER RULE 144A UNDER THE SECURITIES ACT AND QUALIFIED PURCHASERS (AS DEFINED HEREIN), (II) IN THE UNITED STATES TO A LIMITED NUMBER OF PERSONS THAT ARE BOTH ACCREDITED INVESTORS (AS DEFINED HEREIN) AND QUALIFIED PURCHASERS AND (III) OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S. THE ISSUER HAS NOT BEEN OR WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), IN RELIANCE ON THE EXEMPTION PROVIDED BY SECTION 3(C)(7) THEREOF. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON TRANSFER, SEE "TRANSFER RESTRICTIONS."

The Securities are offered pursuant to the Placement Agency Agreement on a reasonable best efforts basis through Banc of America Securities LLC ("**BA Securities**") and, in such capacity, the "**Placement Agent**"). The Placement Agent reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is a condition to issuance of any Securities that all of the Securities be issued concurrently. It is expected that the delivery of the Securities will be made on or about August 14, 2007 (the "**Closing Date**"), in each case against payment therefor in immediately available funds. The Securities (other than the Securities represented by Physical Securities) will be accepted for clearance through The Depository Trust Company, and through Euroclear and Clearstream on the Closing Date.

Banc of America Securities LLC

The date of this Offering Memorandum is August 23, 2007

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The Notes represent limited recourse obligations of the Issuer, payable solely from certain assets of the Issuer pledged under the Indenture. The Notes do not represent interests in or obligations of, and are not guaranteed or secured by the assets of, the Collateral Manager, the Collateral Administrator, the Trustee, the Administrator, the Placement Agent or any of their respective affiliates.

The Issuer may optionally redeem all of the Notes under certain conditions described herein. See "Description of the Securities—Optional Redemption and Redemption by Refinancing", "—Mandatory Redemption" and "—Special Redemption."

The Notes sold in offshore transactions in reliance on Regulation S under the Securities Act will be represented by one or more permanent global notes (each, a "**Regulation S Global Security**") in definitive, fully registered form without coupons deposited with the Trustee as custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**") for the respective accounts of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**"). Beneficial interests in a Regulation S Global Security may be held only through Euroclear or Clearstream. U.S. Persons (as defined in Regulation S under the Securities Act) may not hold an interest in a Regulation S Global Security at any time. The Senior Notes sold in reliance on the exemption from registration provided by Section 4(2) of the Securities Act will either (i) be issued in definitive, fully registered form (each, a "**Physical Security**") registered in the name of the beneficial owner thereof or (ii) be evidenced by one or more permanent global notes (each, a "**Rule 144A Global Rated Note**," and collectively, the "**Rule 144A Global Rated Notes**" and the Rule 144A Global Rated Notes, together with the Regulation S Global Securities, the "**Global Securities**") in definitive, fully registered form without coupons, deposited with the Trustee as custodian for, and registered in the name of a nominee of, DTC. The Notes sold or re-sold to Accredited Investors (that are U.S. Persons) and Subordinated Notes sold or re-sold in reliance on the exemption from registration provided by Section 4(2) of the Securities Act will only be issued, offered and sold in the form of Physical Securities. See "Form, Denomination and Registration."

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 PLACEMENT AGENT OR THE COLLATERAL MANAGER. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY OF THE SECURITIES OFFERED HEREBY BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER OR SOLICITATION. NEITHER THE DELIVERY HEREOF NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT NO CHANGE IN THE AFFAIRS OF THE ISSUER HAS OCCURRED OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF. THE ISSUER AND THE PLACEMENT AGENT, AS THE CASE MAY BE, RESERVE THE RIGHT TO REJECT ANY OFFER TO PURCHASE IN WHOLE OR IN PART, FOR ANY REASON, OR TO SELL LESS THAN THE STATED INITIAL PRINCIPAL AMOUNT OF SECURITIES OFFERED HEREBY.

No representation or warranty, express or implied, is made by the Placement Agent, the Collateral Manager (except, in the case of the Collateral Manager, with respect to the information set forth under the heading "The Collateral Manager," the Trustee or the Collateral Administrator as to the accuracy or completeness of the information set forth herein, and nothing contained herein is, or shall be relied upon as, a promise or representation as to the past or the future. None of the Placement Agent, the Collateral Manager (except, in the case of the Collateral Manager, with respect to the information set forth under the heading "The Collateral Manager"), the Trustee or the Collateral Administrator has independently verified any such information or assume responsibility for its accuracy or completeness.

This Offering Memorandum has been prepared by the Issuer solely for use in connection with the offering (the "**Offering**") and the listing of the Securities described herein. The Issuer accept responsibility for the information contained in this document (other than with respect to the information appearing under the heading "The Collateral Manager"). To the best of the knowledge and belief of the Issuer (who have taken reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Collateral Manager accepts responsibility for the information appearing under the heading "The Collateral Manager." To the best of the knowledge and belief of the Collateral Manager (who has taken reasonable care to ensure that such is the case), the information appearing under the heading "The Collateral Manager" is in accordance with the facts and does not omit anything likely to affect the import of such information.

FOR NEW HAMPSHIRE RESIDENTS ONLY: 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 (THE "RSA") 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 OF NEW HAMPSHIRE 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.

Austria

The Placement Agent has represented and agreed that (i) the Notes may only be offered in the Republic of Austria in compliance with the provisions of the Austrian Capital Market Act and other laws applicable in the Republic of Austria governing the offer and sale of the Notes in the Republic of Austria; (ii) the Notes are not registered or otherwise authorised for public offer

either under the Capital Market Act, the Investment Fund Act or any other securities regulation in Austria; (iii) the recipients of the Offering Memorandum and other selling material in respect of the Notes have been individually selected and are targeted exclusively on the basis of a private placement; (iv) the Notes have not been, and are not being offered or advertised publicly or offered similarly under either the Capital Market Act, the Investment Fund Act or any other securities regulation in Austria; and (v) any offers of the Notes have not been made to any persons other than the recipients to whom the Offering Memorandum is personally addressed.

Australia

(a) The Placement Agent has acknowledged to the Issuer that no offering circular, prospectus or other disclosure document in relation to any Notes has been lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange; and

(b) The Placement Agent has represented and agreed with the Issuer that it (directly or indirectly):

- (i) has not:
 - (A) offered for issue or sale;
 - (B) invited applications for the issue of;
 - (C) invited applications for offers to purchase; or
 - (D) sold,any Notes;
- (ii) will not:
 - (A) offer for issue or sale;
 - (B) invite applications for the issue of;
 - (C) invite applications for offers to purchase; or
 - (D) sell,any Notes; and
- (iii) has not distributed and will not distribute any draft, preliminary or definitive information memorandum, advertisements or other offering material relating to any Notes, in Australia unless:
 - (A) (1) the amount payable on acceptance by each offeree or invitee for the Notes is a minimum amount (disregarding amounts, if any, lent by the Issuer or other person offering the Notes or an associate (as defined in the Corporations Act 2001 (Cth)) of the Placement Agent) of A\$500,000; or

- (2) the offer or invitation is otherwise an offer or invitation for which no disclosure is required to be made under Part 6D.2 of the Corporations Act 2001 (Cth) and the Corporations Regulations made under the Corporations Act 2001 (Cth); and
- (B) the offer, invitation or distribution complies with all applicable laws and regulations and directives in relation to the offer, invitation or distribution and does not require any document to be lodged with, or registered by, the Australian Securities and Investments Commission.

Cayman Islands

The Placement Agent has represented and agreed with the Issuer that no invitation to subscribe for the Notes may be made to the public in the Cayman Islands.

Denmark

The Placement Agent has represented and agreed with the Issuer that (a) the Offering Memorandum has not been and will not be filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in the Kingdom of Denmark, (b) the Notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark, unless in compliance with Chapters 6 or 12 of the Danish Act on Trading in Securities and executive orders issued pursuant thereto as amended from time to time and (c) the Offering Memorandum will not be made available nor will interests in the Issuer otherwise be marketed and offered for sale in Denmark other than in circumstances which are deemed not to be a marketing or an offer to the public in Denmark.

European Economic Area

In the European Economic Area, the communications contained in this Offering Memorandum are only made to or directed at persons who are "Qualified Investors" within the meaning of Article 2(1)(e) of the Prospectus Directive. Any investment or investment activity to which this Offering Memorandum relates is available only to such persons or will be engaged in only with such persons in such jurisdictions.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), no offer of the Notes will be made to the public in that Relevant Member State prior to the publication of the Offering Memorandum in relation to the Notes (and not later than 12 months after the date of such publication) which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that with effect from and including the Relevant Implementation Date, an offer of the Notes may be made to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets, or if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of this Offering Memorandum pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

France

The Placement Agent has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, the Notes to the public in the Republic of France and have not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France this Offering Memorandum or any other offering material relating to the Notes and that such offers, sales and distributions have been and will only be made in France to qualified investors (*investisseurs qualifiés*) or to a restricted circle of investors (*cercle restreint d'investisseurs*), all acting for their account and all as defined in, and in accordance with, article L.411-2 of the French Code *monétaire et financier* and *décret* no. 98-880 dated 1st October, 1998.

In addition, the Placement Agent has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France this Offering Memorandum or any other offering material relating to the Notes other than to investors to whom offers and sales of the Notes in France may be made as described above and that this Offering Memorandum has not been submitted for approval (*visa*) by the *Autorité des Marchés Financiers* and does not constitute an offer for sale or subscription of securities.

Germany

The Placement Agent has represented to and agreed with the Issuer that the Notes have not been and will not be publicly offered (*öffentliches Angebot*) in Germany, and accordingly, no securities sales prospectus (*Verkaufsprospekt*) for a public offering of the Notes in Germany in accordance with the Securities Prospectus Act (*Wertpapierprospektgesetz*) has been or will be published or circulated in the Federal Republic of Germany. The Placement Agent confirms that it will comply with the Securities Prospectus Act. In particular the Placement Agent has represented that it has not engaged and agree that it will not engage in a public offering (*öffentliches Angebot*) within the meaning of the Securities Prospectus Act with respect to any of the Notes otherwise than in accordance with the Securities Prospectus Act and all other

applicable legal and regulatory requirements. Any resale of the Notes in the Federal Republic of Germany may only be made in accordance with the Securities Prospectus Act and all other laws applicable in the Federal Republic of Germany governing the sale and offering of securities.

Greece

The Placement Agent has represented and agreed with the Issuer that (i) the offering of the Notes described herein, including the Offering Memorandum is confidential and not for public use; (ii) this Offering Memorandum and all related materials are directed solely at persons who qualify as qualified investors. For the purposes of this paragraph, "qualified investors" has the meaning attributed to such term by Article 2 of Greek Law 3401/2005, which transposed into Greek law, directive 2003/71/EC on a prospectus to be published when securities are offered to the public or admitted to trading.

Ireland

The Placement Agent has represented to and agreed with the Issuer that:

- (a) it will not make any offer of the Notes in Ireland that would require the publication of a prospectus in respect of the offer in accordance with Regulation 12 of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland; and
- (b) in respect of a local offer (within the meaning of section 38(1) of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland (the "**2005 Act**")) of Notes in Ireland, it has complied and will comply with section 49 of the 2005 Act; and
- (c) it has only issued or passed on, and will only issue or pass on, in Ireland, any document received by them in connection with the issue of the Notes to persons who are persons to whom the document may otherwise lawfully be issued or passed on; and
- (d) it has not underwritten or placed and will not underwrite or place Notes otherwise than in conformity with the provisions of the Investment Intermediaries Act, 1995 of Ireland, as amended, including, without limitation, Sections 9 and 23 (including advertising restrictions made thereunder) thereof and the codes of conduct made under Section 37 thereof, or in, the case of a credit institution exercising its rights under the Banking Consolidation Directive (2000/12/EC of 20 March 2000) in conformity with the codes of conduct or practice made under Section 117(1) of the Central Bank Act, 1989, as amended, of Ireland.

Israel

The Placement Agent has represented and agreed with the Issuer that (a) this offer of Notes is intended solely for institutional investors, as listed in the First Supplement of the Israeli Securities Law, 1968; (b) no prospectus has been prepared or filed nor will be prepared or filed in Israel relating to the securities offered hereunder; and (c) they will only sell the Notes to an Israeli investor who has represented to the applicable Placement Agent that (i) it qualifies as an investor listed in the First Supplement of the Israeli Securities Law, 1968; and (ii) it is purchasing the securities for its own account and not for distribution or resale.

The Notes cannot be resold in Israel unless an exemption from the Israeli prospectus requirements is available.

Italy

The sale of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) and the Bank of Italy pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to professional investors ("**Operatori Qualificati**"), as defined in Article 31, second paragraph, of CONSOB Regulation no. 11522 of 1 July 1998, as amended; or
- (b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the "**Financial Services Act**") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Memorandum or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

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

Jersey

The Notes may not be offered to, sold to or purchased or held by persons (other than financial institutions) resident for income tax purposes in Jersey.

The Notes may only be issued or allotted exclusively to:

- (i) a person whose ordinary activities involve him in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of his business or who it is reasonable to expect will acquire, hold, arrange or dispose of investments (as principal or agent) for the purposes of his business; or
- (ii) a person who has received and acknowledged a warning to the effect that (a) the Notes are only suitable for acquisition by a person who (i) has a significantly substantial asset base such as would enable him to sustain any loss that might be incurred as a result of acquiring the Notes; and (ii) is sufficiently financially sophisticated to be reasonably expected to know the risks involved in acquiring the Notes and (b) neither the issue of the

Notes nor the activities of any functionary with regard to the issue of the Notes are subject to all the provisions of the Financial Services (Jersey) Law 1998.

Each person who acquires Notes will be deemed, by such acquisition, to have represented that he or it is one of the foregoing persons.

New Zealand

The Placement Agent has represented and agreed with the Issuer that the Notes may not be offered, sold or delivered, directly or indirectly nor may any offering memorandum, any pricing supplement or advertisement in relation to any offer of Notes be distributed in New Zealand, other than:

- (a) to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, or who in all the circumstances can properly be regarded as having been selected other than as members of the public; or
- (b) in other circumstances where there is no contravention of the Securities Act 1978 of New Zealand.

Portugal

The Placement Agent has represented and agreed with the Issuer that: (i) it has not advertised, offered or sold and will not, directly or indirectly, advertise, offer or sell the Notes in circumstances which could qualify as a public offer of securities pursuant to the Portuguese Securities Code (*Código dos Valores Mobiliários*, the "CVM") which would require the publication by the Issuer of a prospectus under the Prospectus Directive or in circumstances which would qualify as an issue or public placement of securities in the Portuguese market; (ii) it has not distributed or caused to be distributed to the public in the Republic of Portugal the Offering Memorandum or any other offering material relating to the Notes; (iii) all applicable provisions of the CVM and any applicable *Comissão do Mercado de Valores Mobiliários* (Portuguese Securities Market Commission, the "CMVM") Regulations have been complied with regarding the Notes, in any matters involving the Republic of Portugal.

Spain

The Placement Agent has represented and agreed with the Issuer that the Notes may not be offered, sold or distributed in Spain other than by institutions authorised under the Securities Market Law 24/1988 of 28 July (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), and Royal Decree 867/2001 of 20 July on the Legal Regime Applicable to Investment Services Companies (*Real Decreto 867/2001, de 20 de julio, sobre el Régimen Jurídico de las empresas de servicio de inversión*), to provide investment services in Spain, and in compliance with the provisions of the Securities Market Law and any other applicable legislation.

Sweden

The Placement Agent has represented and agreed with the Issuer that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Sweden except in compliance with the laws of Sweden.

Switzerland

The Placement Agent has represented and agreed with the Issuer that:

- (a) the Notes may not and will not be publicly offered, distributed or redistributed in the Swiss Confederation ("**Switzerland**"), and neither this Offering Memorandum nor any other solicitation for investments in the Notes may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 1156 or 652a of the Swiss Code of Obligations.
- (b) no application for a listing of the Notes will be made on any Swiss stock exchange or other Swiss regulated market, and the Offering Memorandum will not comply with the information required under the relevant listing rules.

United Kingdom

The Placement Agent has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSM Act**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSM Act does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSM Act with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Neither the Issuer nor the pool of Collateral has been registered under the Investment Company Act. Each purchaser of a Physical Security will represent and agree, and each purchaser of an interest in a Global Security will be deemed to have represented and agreed, that the purchaser is acquiring the Securities for its own account or for one or more accounts as to each of which the purchaser exercises sole investment discretion and in an Authorized Denomination, in each case, for the purchaser and each such account. Each U.S. person (as defined in Regulation S under the Securities Act) purchasing a Physical Security will also represent and agree, and each purchaser of an interest in a Rule 144A Global Rated Note will also be deemed to have represented and agreed, that it and any account for which it is acquiring the Securities is a qualified purchaser as defined in, and for purposes of, Section 3(c)(7) of the Investment Company Act. See "Transfer Restrictions."

In this Offering Memorandum, references to "**U.S. Dollar**," "**Dollars**," "**\$**" and "**U.S.\$**" are to United States dollars. Reference in this Offering Memorandum to any website addresses will not be deemed to constitute a part of the document for purposes of listing the Securities on the Official List of the Irish Stock Exchange.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Securities in any jurisdiction in which such offer or solicitation is unlawful.

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

A prospectus prepared pursuant to the Prospectus Directive will be published, which can be obtained from the website of the Irish Financial Services Regulatory Authority in Ireland.

EACH INVESTOR IN THE SECURITIES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS SUCH SECURITIES OR POSSESSES OR DISTRIBUTES THIS OFFERING MEMORANDUM, AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF SUCH SECURITIES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE ISSUER OR THE PLACEMENT AGENT SHALL HAVE ANY RESPONSIBILITY THEREFOR.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Offering Memorandum is not intended to furnish legal, regulatory, tax, accounting, investment or other advice to any prospective purchaser of the Notes. This Offering Memorandum should be reviewed by each prospective purchaser and its legal, regulatory, tax, accounting, investment and other advisors.

INVESTORS WHOSE INVESTMENT AUTHORITY IS SUBJECT TO LEGAL RESTRICTIONS SHOULD CONSULT THEIR OWN LEGAL ADVISORS TO DETERMINE WHETHER AND TO WHAT EXTENT THE NOTES CONSTITUTE LEGAL INVESTMENTS FOR THEM.

The Issuer extends to each prospective investor the opportunity to ask questions of, and receive answers from, the Issuer, the Collateral Manager and the Placement Agent 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 in order to verify the accuracy of the information set forth herein, to the extent the Issuer, the Collateral Manager or the Placement Agent possess the same. Requests for such additional

information can be directed to Banc of America Securities LLC, 9 West 57th Street, New York, New York 10019, Attention: Structured Securities Group.

INFORMATION AS TO PLACEMENT WITHIN THE UNITED STATES

This Offering Memorandum has been prepared by the Issuer solely for use in connection with the Offering. The Issuer and the Placement Agent reserve the right to reject any offer to purchase Securities in whole or in part, for any reason, or to sell less than the stated initial principal amount of any Class of the Securities offered hereby. This Offering Memorandum is personal to each offeree to whom it has been delivered by the Issuer, the Placement Agent or any Affiliate thereof and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Securities. Distribution of this Offering Memorandum to any persons other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. Each prospective purchaser in the United States, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents related hereto and, if the offeree does not purchase the Securities or the Offering is terminated, to return this Offering Memorandum and all documents attached hereto to: Banc of America Securities LLC, 9 West 57th Street, New York, NY 10019, Attention: Structured Securities Group.

Notwithstanding anything herein to the contrary, effective from the date of commencement of discussions, investors, and each employee, representative or other agent of the investors, may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and tax structure of (i) the Issuer and (ii) any of its transactions and all materials of any kind (including opinions or other tax analyses) that are provided to the investors relating to such tax treatment and tax structure. This authorization to disclose the tax treatment and tax structure does not permit disclosure of information identifying the Issuer, the Placement Agent, the Collateral Manager, the Hedge Counterparties or any other party to the transaction, this Offering or the pricing (except to the extent pricing is relevant to tax structure or tax treatment) of this Offering.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act ("**Rule 144A**") in connection with the sale of the Securities, the Issuer will be required to furnish upon request of a Holder of a Security to such Holder and a prospective purchaser designated by such Holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer is not a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or are exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. The Issuer is not expected to become a reporting company or to be exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

CERTAIN CONSIDERATIONS RELATING TO THE CAYMAN ISLANDS

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

FORWARD LOOKING STATEMENTS

Any projections, forecasts and estimates contained herein are forward looking statements and are based upon certain assumptions. 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, currency exchange rates, levels of defaults on the Collateral Debt Securities and levels of recoveries when defaults occur, market, financial or legal uncertainties, the timing of acquisitions of the Collateral Debt Securities, mismatches between the timing of accrual and receipt of Interest Proceeds from the Collateral Debt Securities and the effectiveness of any Hedge Agreements, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Collateral Manager, the Trustee, the Collateral Administrator, the Placement Agent 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 Placement Agent, the Collateral Manager, the Trustee, the Collateral Administrator or their respective affiliates has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

Certain persons participating in this Offering (including the Placement Agent) may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Such transactions may include over-allotment and stabilizing and the purchase of Notes to cover short positions and, if commenced, may be discontinued at any time.

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SUMMARY OF TERMS

The following summary does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Offering Memorandum (the "Offering Memorandum") and related documents referred to herein. Certain terms of the Securities described in this summary are referred to but not repeated in the remainder of this Offering Memorandum. A glossary of certain defined terms and an index of defined terms appear at the back of this Offering Memorandum.

Issuer: Symphony CLO IV, Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands.

Collateral Manager: Symphony Asset Management LLC, or "**Symphony**."

Trustee and Security Registrar: Citibank, N.A., or any successor appointed pursuant to the Indenture.

Collateral Administrator: Virtus Group, LP, or any successor appointed pursuant to the Collateral Administration Agreement.

Placement Agent: Banc of America Securities LLC.

Securities Offered:

<u>Securities</u>	<u>Principal Amount⁽¹⁾</u>	<u>Interest Rate</u>	<u>Moody's Rating</u>	<u>S&P Rating</u>
Class A Senior Notes	U.S.\$300,000,000	LIBOR + 0.25%	Aaa	AAA
Class B Senior Notes	U.S.\$32,000,000	LIBOR + 0.60%	Aa2	AA
Class C Mezzanine Notes	U.S.\$24,000,000	LIBOR + 1.25%	A2	A
Class D Mezzanine Notes	U.S.\$12,500,000	LIBOR + 3.25%	Baa2	BBB
Class E Junior Notes	U.S.\$13,000,000	LIBOR + 5.50%	Ba2	BB
Subordinated Notes	U.S.\$31,000,000	⁽¹⁾	N/A	N/A

⁽¹⁾ The Subordinated Notes will receive as a distribution on each Payment Date all or a portion of the Excess Interest, if any, payable in accordance with the Priority of Payments; *provided* that if and to the extent Interest Proceeds are not available for such purpose on any Payment Date, such amount shall cease to be payable on such date or on any other date.

The Issuer will issue the Class A Senior Notes (the "**Class A Senior Notes**"), the Class B Senior Notes (the "**Class B Senior Notes**" and, together with the Class A Senior Notes, the "**Senior Notes**"), the Class C Deferrable Mezzanine Notes (the "**Class C Mezzanine Notes**"), the Class D Deferrable Mezzanine Notes (the "**Class D Mezzanine Notes**" and, together with the Class C Mezzanine Notes, the "**Mezzanine Notes**"), the Class E Deferrable Junior Notes (the "**Class E Junior Notes**" and, together with the Senior Notes and the Mezzanine Notes, the "**Rated Notes**") and the Subordinated Notes (the "**Subordinated Notes**" and, together with the Rated Notes, the "**Notes**" or the "**Securities**").

The Securities will be issued pursuant to an indenture, to be dated as of the Closing Date (the "**Indenture**"), between the Issuer and Citibank, N.A., as trustee (in such capacity, the "**Trustee**").

Each of the Class A Senior Notes, the Class B Senior Notes, the Class C Mezzanine Notes, the Class D Mezzanine Notes, the Class E Junior Notes and the Subordinated Notes and any class of Notes issued in a Refinancing is herein referred to as a "**Class**." Any Classes of Notes that are *pari passu* with respect to interest payments under the Priority of Payments will vote together as a single class.

Eligible Purchasers:

(i) Non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**"); and

(ii) U.S. persons in the United States that are qualified purchasers for purposes of Section 3(c)(7) of the Investment Company Act, including, in the case of the Subordinated Notes, any "knowledgeable employees" with respect to the Issuer within the meaning of Rule 3c-5 of the Investment Company Act and any Persons that are wholly owned by such knowledgeable employees ("**Qualified Purchasers**" or "**QPs**"). Such U.S. persons must also be qualified institutional buyers ("**Qualified Institutional Buyers**" or "**QIBs**") within the meaning of Rule 144A or accredited investors ("**Accredited Investors**") meeting the requirements of Rule 501(a) under the Securities Act. See "Form, Denomination and Registration of the Notes."

Purchases and transfers of Class E Junior Notes and Subordinated Notes to Benefit Plan Investors and Controlling Persons are subject to additional limitations described herein and in the Indenture.

Use of Proceeds:

The proceeds from the issuance and sale of the Securities are expected to be applied by the Issuer to (i) purchase, on the Closing Date, and to repay financing used to purchase, at least U.S.\$280,700,000 in Aggregate Principal Balance of Collateral Debt Securities, (ii) pay organizational expenses and the expenses of the issuance and offering of the Securities and (iii) fund the Revolver Funding Reserve Amount, if necessary, the Synthetic Security Reserve Amount, if necessary, and the Reserve Amount referred to below. The remaining net proceeds from the issuance and sale of the Notes, which are expected to be approximately U.S.\$118,800,000, will be used on or after the Closing Date to purchase the remainder of the portfolio of Collateral Debt Securities. U.S.\$1,100,000 (the "**Reserve Amount**") will be retained by the Trustee from the proceeds of the issuance of the Securities on the Closing Date. On the first Payment Date, the Trustee will apply all or a portion of the Reserve Amount, as directed by the

Collateral Manager (on behalf of the Issuer), as Interest Proceeds, to the extent necessary to ensure the payment of all interest due on the Rated Notes on such Payment Date and following such application on the first Payment Date, on the first and second Payment Dates, any funds remaining in the Reserve Account (the "**Remaining Reserve Amount**") will be retained in the Reserve Account or applied as Interest Proceeds or Principal Proceeds as directed by the Collateral Manager (on behalf of the Issuer). On the third Payment Date following the Closing Date, the Remaining Reserve Amount, if any, will be applied as Interest Proceeds, to the extent directed by the Collateral Manager (on behalf of the Issuer) and the remainder of the Remaining Reserve Amount, if any, will be applied as Principal Proceeds, and the Reserve Account will be closed.

Distributions on the Securities:

Payment Dates

The 18th day of January, April, July and October of each year (or, if such day is not a Business Day, then the next succeeding Business Day), commencing in January 2008 (each, a "**Payment Date**"); *provided* that the last Payment Date in respect of any Note shall be its Redemption Date, Refinancing Date or Stated Maturity, as applicable.

Priority of Payments

On each Payment Date, payments of Interest Proceeds and Principal Proceeds (if any) will be made in accordance with the Priority of Payments. See "Description of the Securities—Priority of Payments."

Rated Note Interest Payments

Interest on the Rated Notes is payable in arrears on the first Payment Date set forth above, and thereafter quarterly on each Payment Date in accordance with the Priority of Payments.

Deferral of Interest.....

So long as any more senior Class of Notes is Outstanding, to the extent accrued and payable interest is not paid on the Class C Mezzanine Notes, Class D Mezzanine Notes or Class E Junior Notes on any Payment Date, such unpaid interest will be deferred and will bear interest at the applicable Interest Rate. The failure to pay such amounts will not be an Event of Default under the Indenture.

Distributions on Subordinated Notes ...

The Subordinated Notes will receive as a distribution on each Payment Date on which the Coverage Tests and the Interest Reinvestment Test are satisfied, all or a portion of the Excess Interest, if any, in accordance with the Priority of Payments. If and to the extent sufficient funds to pay such distribution are not available on any Payment Date, such distribution shall cease to be payable on such date or on any other date. If, as of any Determination Date, the Interest Reinvestment Test is not satisfied, up to 60% of any Interest Proceeds that would otherwise be payable to the holders of the Subordinated Notes (the "**Interest Reinvestment Test Diversion Amount**") will be used instead to acquire additional Collateral Debt Securities. See "Description of the Securities—Interest."

Principal Payments

The Securities will mature on the Payment Date in July 2021 (the "**Stated Maturity**") and the final payment of principal will be paid on that date unless the Notes have been retired or redeemed earlier as described herein.

During the Reinvestment Period, payments of principal on the Rated Notes will not be made except in connection with an Optional Redemption, a Mandatory Redemption or a Special Redemption.

Redemptions:

Optional Redemption

During the period from the Closing Date to but excluding the Payment Date in July 2011 (such period, the "**Non-Call Period**"), the Securities are not subject to Optional Redemption, unless a Tax Event occurs and a Supermajority of the Subordinated Notes or a Supermajority of the Controlling Class direct a redemption of the Notes. See "Description of the Securities—Optional Redemption and Redemption by Refinancing."

Following the end of the Non-Call Period, the Rated Notes, in whole but not in part, may be redeemed, by liquidation of the Collateral, on any Payment Date at the direction of (i) a Supermajority of the Subordinated Notes and (ii) in the case of a Tax Event, at the direction of (a) a Supermajority of the Subordinated Notes or (b) a Supermajority of the Controlling Class, subject to the terms and conditions specified in the Indenture. The Subordinated Notes may be redeemed on or after any Payment Date on which the Rated Notes have been redeemed or otherwise paid in full, at the direction of a Supermajority of the Subordinated Notes.

There are certain other restrictions on the ability of the Issuer to effect an Optional Redemption. See "Description of the Securities—Optional Redemption and Redemption by Refinancing."

In the event of an Optional Redemption, the Collateral Manager will direct the sale of the Collateral to the extent required in order to make payments as described under "Description of the Securities—Optional Redemption and Redemption by Refinancing."

Optional Redemption Prices

The "**Redemption Price**," when used with respect to any Rated Note shall be an amount equal to 100% of the principal amount of such Note to be redeemed, together with accrued and unpaid interest thereon at the applicable Interest Rate, through the Redemption Date.

The "**Redemption Price**," when used with respect to any Subordinated Note, shall be a *pro rata* share of any remaining proceeds of the Collateral after giving effect to the payment of the Redemption Prices of the Rated Notes and all other amounts payable senior to the Subordinated Notes under the Priority of Payments, including, without limiting the generality of the foregoing, the Incentive Management Fee.

Special Redemptions

The Collateral Manager (on behalf of the Issuer) may notify the Trustee that it has been unable (using commercially reasonable efforts), during the Reinvestment Period to identify additional Collateral Debt Securities that it deems to be appropriate for investment by the Issuer. In any such instance, a Special Redemption will occur on the next Payment Date, and Principal Proceeds equal to the Special Redemption Amount will be used to make principal payments on the Rated Notes in accordance with the Priority of Payments.

Mandatory Redemptions

On any Payment Date on which any applicable Coverage Test is not satisfied on the related Determination Date, principal will be paid on the Notes, in accordance with the Priority of Payments, to the extent required to cause compliance with such test.

If a Rating Confirmation Failure occurs and the Collateral Manager (on behalf of the Issuer) has determined that a redemption is required in order to obtain Rating Agency Confirmation, principal will be paid on the Notes in accordance with the Priority of Payments, to the extent required in order to receive Rating Agency Confirmation.

See "Description of the Securities—Mandatory Redemption."

Redemption by Refinancing.....

During the period from the Closing Date to but excluding the Payment Date in July 2011 (such period, the "**Non-Refinancing Period**") the Notes may not be refinanced. Thereafter, the Rated Notes may be redeemed in whole, but not in part, on any Payment Date from Refinancing Proceeds, at the direction of the Collateral Manager with the consent of a Majority of the Subordinated Notes, and to the extent and subject to the restrictions described herein. See "Description of the Securities—Optional Redemption and Redemption by Refinancing."

Security for the Notes:

The Notes will be secured by the Collateral. In purchasing and selling Collateral Debt Securities, the Issuer will generally be required to satisfy certain requirements imposed by the Portfolio

Profile Test, the Collateral Quality Tests, the Coverage Tests and various other criteria described under "Security for the Notes—Sales of Collateral Debt Securities and Investment Criteria." All or a substantial majority of the Collateral Debt Securities will be rated below investment grade and accordingly will have greater credit and liquidity risk than investment grade corporate obligations. See "Risk Factors." The initial portfolio of Collateral Debt Securities will be purchased and/or refinanced through the application of the net proceeds of the sale of the Securities. See "Security for the Notes—Collateral Debt Securities." During the Initial Investment Period, pending investment in such Collateral Debt Securities, a portion of such net proceeds will be invested in Eligible Investments.

Collateral Management:

Management of the portfolio will be performed by the Collateral Manager pursuant to a Collateral Management Agreement to be entered into between the Issuer and the Collateral Manager (the "**Collateral Management Agreement**"). Under the Collateral Management Agreement, and subject to the limitations of the Indenture, the Collateral Manager will manage the selection, acquisition, reinvestment and disposition of the Collateral, including exercising rights and remedies associated with the Collateral, disposing of the Collateral and certain related functions.

The Collateral Manager has advised the Issuer that it and/or one or more of its Affiliates is expected to purchase at least U.S.\$1,000,000 of the Subordinated Notes on the Closing Date. Neither the Collateral Manager nor any of its Affiliates is required to retain any of such Subordinated Notes. See "The Collateral Manager" and "Risk Factors—Conflicts of Interest Involving the Collateral Manager."

Purchase of Collateral Debt Securities:
Initial Investment Period.....

The Issuer will use commercially reasonable efforts to purchase, or to have entered into binding agreements to purchase, Collateral Debt Securities having the characteristics identified herein by the earlier of (i) 135 days after the Closing Date and (ii)

the date selected by the Collateral Manager and upon which the Issuer has acquired, or entered into binding commitments to acquire, Collateral Debt Securities (including any Collateral Debt Securities purchased by the Issuer on or prior to the Closing Date, and any Collateral Debt Securities that have been prepaid, have matured or have been redeemed) that in the aggregate have an Aggregate Principal Balance that (as of the respective acquisition and commitment dates) equals or exceeds the Target Par Amount (including any amortized amounts and the Aggregate Unfunded Commitment Amount) (the "**Effective Date**"). The period from and including the Closing Date to but excluding the Effective Date is referred to as the "**Initial Investment Period.**"

Within 15 Business Days after the Effective Date, the Issuer (or the Collateral Manager on its behalf) will request Rating Agency Confirmation (unless, in the case of Moody's, a Deemed Moody's Confirmation occurs) with respect to each such agency's original rating on any Class of Rated Notes. If either Rating Agency fails to confirm its original ratings (or, in the case of Moody's, a Deemed Moody's Confirmation does not occur) on any Class of Rated Notes in connection with the Effective Date within 30 Business Days following the date on which the agencies are requested to do so by the Issuer a "**Rating Confirmation Failure**" will occur. In the event of a Rating Confirmation Failure, or if the Collateral Manager reasonably believes that a Rating Agency Confirmation may not be received in connection with the Effective Date, the Collateral Manager, on behalf of the Issuer, will propose a Proposed Plan. If a Proposed Plan has not been presented and accepted by the Rating Agencies, resulting in a Rating Agency Confirmation, on or prior to the first Determination Date following the Rating Confirmation Failure, then on the related Payment Date (the "**Rating Confirmation Failure Payment Date**") first Interest Proceeds and then Principal Proceeds will be applied, in accordance with the Priority of Payments, to pay principal on the Rated Notes until the rating on each affected Class is reinstated.

Reinvestment Period.....

The "**Reinvestment Period**" will be the period from and including the Closing Date to and including the earliest of (i) the Payment Date in July 2014, (ii) the date on which the maturity of the Notes is accelerated due to an Event of Default as described under "Description of the Securities—The Indenture," (iii) the end of the Due Period related to the Payment Date on which all of the Notes are subject to Optional Redemption and (iv) the date on which the Collateral Manager reasonably believes and so notifies the Issuer, the Rating Agencies, the Collateral Administrator and the Trustee that it can no longer reinvest in additional Collateral Debt Securities in accordance with the Indenture and the Collateral Management Agreement. See "Security for the Notes—Sales of Collateral Debt Securities and"—Investment Criteria."

Management Fees:

*Senior Collateral
Management Fee*.....

The Senior Collateral Management Fee will equal (a) on or prior to the Payment Date in July 2011, 0.05% *per annum* of the Fee Basis Amount and (b) after the Payment Date in July 2011, 0.15% *per annum* of the Fee Basis Amount, in each case, calculated as described under "The Collateral Management Agreement," and will be payable in accordance with the Priority of Payments.

*Subordinated Collateral
Management Fee*.....

The Subordinated Collateral Management Fee will equal 0.35% *per annum* of the Fee Basis Amount calculated as described under "The Collateral Management Agreement" and will be payable in accordance with the Priority of Payments.

Incentive Management Fee

The Incentive Management Fee will be a fee calculated as described under "The Collateral Management Agreement," payable in accordance with the Priority of Payments. The Incentive Management Fee will be payable on each Payment Date, but will not be payable unless the Holders of the Subordinated Notes have received an Internal Rate of Return of 12.0% on the Subordinated Notes issued on the Closing Date for the period from the Closing Date to such Payment Date. On the first

Payment Date on which the Holders of the Subordinated Notes issued on the Closing Date have received such Internal Rate of Return and on each succeeding Payment Date, the Collateral Manager will be entitled to receive an amount equal to 20% of all amounts otherwise distributable to the Holders of the Subordinated Notes on such Payment Date as the Incentive Management Fee.

Other Information:

Authorized Denominations.....

The Rated Notes, whether issued in definitive or global form, will be issued and transferable in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1.00 in excess thereof, and the Subordinated Notes, whether issued in definitive or global form, will be issued and transferable in minimum denominations of U.S.\$250,000 and integral multiples of U.S.\$1.00 in excess thereof (each such denomination, an "**Authorized Denomination**").

Form of Securities.....

All Rated Notes and the Subordinated Notes sold outside the United States to non-U.S. Persons in reliance on Regulation S will be issued in the form of Global Securities. The Rule 144A Subordinated Notes will be issued in the form of Physical Securities. Accredited Investors (that are U.S. Persons) that purchase Notes must hold Physical Securities.

Additional Issuance.....

At any time during the Reinvestment Period, the Issuer may issue and sell Additional Notes of each Existing Class or may issue and sell additional Subordinated Notes if the conditions for such additional issuance described under "Description of the Securities—The Indenture" are met. The Issuer will use the net proceeds of any additional issuances to pay the expenses of such issuances, purchase additional Collateral Debt Securities or for other purposes permitted under the Indenture. The Issuer may also issue one or more Classes of Notes in connection with a Refinancing.

Listing and Trading.....

Application has been made to The Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC for the Prospectus (the "Prospectus") to be approved. This

Offering Memorandum does not constitute the Prospectus for the purposes of the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market. There can be no assurance that such listing will be approved or maintained. See "Listing and General Information." Application will be made to designate the Class E Junior Notes for trading through the National Association of Securities Dealers, Inc.'s PORTAL system. There is currently no market for the Securities, and there can be no assurance that such a market will develop. See "Risk Factors—Limited Liquidity and Restrictions on Transfers of Securities."

Irish Listing Agent

Maples and Calder Listing Services Limited is expected to be the Irish Listing Agent for the Notes (in such capacity, the "**Irish Listing Agent**").

Irish Paying Agent.....

Maples Finance Dublin is expected to be the Irish Paying Agent for the Notes (in such capacity, the "**Irish Paying Agent**").

Tax Status.....

See "Income Tax Considerations."

ERISA.....

See "ERISA Considerations."

RISK FACTORS

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

Limited Liquidity and Restrictions on Transfers of Securities. There is currently no market for any of the Securities. Although the Placement Agent and its Affiliates may from time to time make a market in certain Classes, it is under no obligation to do so and, following the commencement of any market-making, may discontinue the same at any time without prior notice. In the absence of any market-making activity by the Placement Agent and its Affiliates it is unlikely that a secondary market for any of the Securities will develop, and, even if the Placement Agent and its Affiliates elect to engage in some degree of market-making activity, a secondary market may not develop. Therefore, there can be no assurance that a secondary market for any of the Securities will develop, or if a secondary market does develop, that it will provide the Holders of such Securities with liquidity of investment or that it will continue for the life of the Securities. Consequently, an investor in the Securities must be prepared to hold such Securities for an indefinite period of time or until the Stated Maturity of the Notes. In addition, the Securities are subject to certain transfer restrictions and can only be transferred to certain transferees as described herein under "Transfer Restrictions." Such restrictions on the transfer of the Securities may further limit their liquidity. Furthermore, the Securities will not be registered under the Securities Act or any state securities laws, and the Issuer has no plans, and is under no obligation, to register the Securities under the Securities Act. In addition, although Securities may be listed on the Irish Stock Exchange, such listings do not guarantee any liquidity of any Securities.

Limited Assets to Make Payments on the Notes. The Notes will be limited recourse debt obligations of the Issuer. Such recourse will be limited to, and the Notes will be payable solely from, the Collateral. The Issuer, as a special purpose company, will have no significant assets other than the Collateral Debt Securities, the Issuer Accounts, Eligible Investments and the rights of the Issuer under the Collateral Management Agreement and any Hedge Agreements, all of which are to be pledged to secure the Notes. Except for the Issuer, no Person will be obligated to make any payments on the Notes. Consequently, Holders of the Notes must rely solely upon distributions on the Collateral Debt Securities and any other collateral pledged to secure the Notes for the payment of amounts payable in respect of the Notes. If distributions on such Collateral are insufficient to make payments on the Notes, no other assets of the Issuer or any other Person will be available for the payment of the deficiency.

Collateral Debt Securities May Be Purchased by the Issuer Prior to the Closing Date for More Than Their Market Value on the Closing Date. The Issuer has entered into a warehouse agreement (the "**Warehouse Agreement**") with an Affiliate of the Placement Agent (the "**Financing Party**") pursuant to which the Financing Party has provided and will continue to provide financing ("**Financing Loans**") to enable the Issuer to acquire Collateral Debt Securities prior to the Closing Date. Any principal received with respect to, and interest accrued on, such Collateral Debt Securities prior to the Closing Date will be for the account of the Placement Agent (after deducting certain expenses of the Issuer and the Collateral Manager and any interim collateral management fees owed to the Collateral Manager). The principal of the Financing

Loans will be repaid by the Issuer to the Financing Party on the Closing Date from the proceeds of the sale of the Securities. Any Warehouse Accrued Interest will be paid to the Placement Agent after the Closing Date on the date on which such interest is due, whether or not such interest is received by the Issuer.

There can be no assurance that the market value of any Collateral Debt Security acquired by the Issuer prior to the Closing Date will, on the Closing Date (or on the date of disposition in the case of ineligible loans and ineligible bonds), be equal to or greater than the price paid by the Issuer. Events occurring between the date hereof and on or prior to the Closing Date, including changes in prevailing interest rates, prepayments of principal, developments or trends in any particular industry, changes in the financial condition of the issuers of Collateral Debt Securities, the timing of purchases during the pre-closing period and a number of other factors beyond the Issuer's control, including the condition of certain financial markets, general economic conditions and U.S. and international political events, could adversely affect the market value of the Collateral Debt Securities purchased during this pre-closing period. The market value of most leveraged loans has declined recently and, therefore, it is likely that the market value of many of the Collateral Debt Securities has declined since they were purchased by the Issuer and that the market value of the Collateral Debt Securities on the Closing Date will be substantially less than the principal amount of the Financing Loans repaid by the Issuer on the Closing Date. If the Issuer sells any Collateral Debt Security prior to the Closing Date, the gain on such sale will be for the account of the Placement Agent.

Subordination of the Notes. The Class A Senior Notes are subordinated to certain amounts payable by the Issuer to other parties as set forth in the Priority of Payments (including taxes, Administrative Expenses and, if applicable, certain hedge payments). The Class B Senior Notes are subordinated on each Payment Date to the Class A Senior Notes. The Class C Mezzanine Notes are subordinated on each Payment Date to the Senior Notes. The Class D Mezzanine Notes are subordinated on each Payment Date to the Senior Notes and Class C Mezzanine Notes. The Class E Junior Notes are subordinated on each Payment Date to the Senior Notes and Mezzanine Notes (except in certain cases where a Class E Coverage Test is not satisfied and principal of the Class E Junior Notes is paid from Interest Proceeds). To the extent that any interest is not paid on the Mezzanine Notes and Class E Junior Notes on any Payment Date, such amounts will be deferred and will bear interest at the Interest Rate applicable to such Notes, and the failure to pay such amounts will not be an Event of Default under the Indenture. See "Description of the Securities—Interest." The Subordinated Notes are subordinated to the Rated Notes and certain fees and expenses (including, but not limited to Administrative Expenses and certain Collateral Management Fees), in each case to the extent described herein, and are subject to the diversion of Interest Proceeds if any of the Coverage Tests or the Interest Reinvestment Test is not satisfied. No payments of interest or distributions from Interest Proceeds will be made on any Class of Notes on any Payment Date until interest on the Notes of each Class to which it is subordinated has been paid, and no payments of principal or distributions from Principal Proceeds will be made on any Class of Rated Notes on any Payment Date until principal on the Rated Notes of each Class to which it is subordinated has been paid in full. To the extent that any losses are suffered on the Collateral, such losses will be borne by the Holders of the Notes, beginning with Holders of the Subordinated Notes as the most junior class. Amounts otherwise available to make payments of interest on the Mezzanine Notes and the Class E Junior Notes, to reinvest in Collateral Debt Securities and to make distributions on the

Subordinated Notes are subject to diversion to pay principal on more senior Classes of Notes pursuant to the Priority of Payments if certain Coverage Tests are not satisfied, as described herein. In addition, if, as of any Determination Date, the Interest Reinvestment Test is not satisfied, up to 60% of any Interest Proceeds that would otherwise be payable to the Holders of the Subordinated Notes will be used instead to acquire additional Collateral Debt Securities.

A significant amount of the initial proceeds of the sale of the Subordinated Notes will be applied to pay expenses incurred by the Issuer in arranging the offering of the Securities, rather than to make investments in Collateral Debt Securities. As a result, on the Closing Date the market value of the Collateral Debt Securities will be significantly less than the aggregate principal amount of the Notes. In addition, Excess Interest will generally be paid to the Holders of the Subordinated Notes and the Collateral Manager (as the Incentive Management Fee), rather than reinvested in additional Collateral Debt Securities (except for amounts diverted pursuant to the Interest Reinvestment Test). Consequently, after payments on the Rated Notes and the other expenses of the Issuer payable prior to distributions in respect of the Subordinated Notes, it is possible that there will be no Principal Proceeds available to pay the principal amount of the Subordinated Notes, and, even if there are Principal Proceeds available for payment on the Subordinated Notes, it is highly likely that such proceeds will be insufficient to pay the initial principal amount of the Subordinated Notes. Therefore, Holders of Subordinated Notes will rely on the distribution of Excess Interest for their ultimate return. Consequently, purchasers of the Subordinated Notes bear a high risk of losing all or part of their original investment.

Control of Remedies. If an Event of Default occurs, the Holders of the Controlling Class of Notes will be entitled to determine the remedies to be exercised under the Indenture. See "Description of the Securities—The Indenture—Events of Default." Remedies pursued by the Controlling Class could be adverse to the interests of the Holders of Notes that are subordinated to the Controlling Class, and the Controlling Class will have no obligation to consider any possible adverse effect on such other interests. Furthermore, the Collateral Debt Securities may be sold and liquidated only if, among other things, (i) the Trustee (based upon consultations with the Collateral Manager) determines that the anticipated proceeds of such sale or liquidation (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to discharge in full the amounts then due and unpaid with respect to all the Notes and a Majority of the Controlling Class agrees with such determination, or (ii) a Majority of the Rated Notes of each Class directs, subject to the provisions of the Indenture, such sale and liquidation or (iii) in the case of an Event of Default specified in clause (a) of the definition of Event of Default or if the Event of Default specified in clause (b) of the definition of Event of Default occurs with respect to any Senior Note or in the case of an Event of Default specified in clause (d) of the definition of Event of Default, a Majority of the Controlling Class directs, subject to the provisions of the Indenture, such sale and liquidation.

The Voting and Consent Rights with Respect to a Majority of the Class A Senior Notes May be Assigned to Third Parties. On or after the Closing Date, the Holder (which may be BA Securities or its affiliate) of a Majority of the Class A Senior Notes may assign the voting and consent rights under the Indenture with respect to its Class A Senior Notes to an assignee pursuant to agreements entered into between the Holder and the assignee. If such assignment occurs on or after the Closing Date, the holders of such Class A Senior Notes would exercise such voting and consent rights at the direction of the assignee pursuant to such agreements. If

the voting and consent rights of a Majority of the Class A Senior Notes are assigned to such assignee, the holders of the Class A Senior Notes (including any holders of the Class A Senior Notes that did not assign such rights to such assignees) will not have the ability to direct any votes or consents with respect to matters requiring the vote or consent of the holders of the Class A Senior Notes without the consent of such assignees. None of the Issuer, the Trustee, the Collateral Manager, the Placement Agent, the Collateral Administrator or the Administrator will be under any obligation to notify any holder of the Notes as to whether or not the voting and consent rights with respect to the Class A Senior Notes have been assigned. Any assignee to whom such voting and consent rights have been assigned will be entitled to exercise the voting and consent rights assigned to it in its sole discretion and may exercise such rights or refrain from exercising such rights in a manner that is contrary to the best interests of the holders of the Class A Senior Notes or the holders of other Classes of Notes. The assignee is expected to enter into a credit derivative transaction with the Holder of a Majority of the Class A Senior Notes under which it agrees to make payments to such Holder if such Holder does not receive scheduled payments of interest and principal on the Class A Senior Notes, but neither the Issuer nor the holders of the other Notes will benefit from any payments made by the assignee to the Holder of a Majority of the Class A Senior Notes under such credit derivative transaction.

Subordinated Classes Represent Leveraged Investments. The subordinated Classes each represent a highly leveraged investment in the Collateral. Therefore, the market value of the subordinated Classes would be anticipated to be significantly affected by, among other things, changes in the market value of the Collateral, changes in the distributions on the Collateral, defaults and recoveries on the Collateral, capital gains and losses on the Collateral, prepayments on the Collateral and the availability, prices and interest rates of the Collateral and other risks associated with the Collateral as described in "—Nature of Collateral" below. Accordingly, the subordinated Classes may not be paid in full, and Holders of such Classes may lose their entire investment. Furthermore, the leveraged nature of each subordinated Class may magnify the adverse impact on each such Class of changes in the market value of the Collateral, changes in the distributions on the Collateral, defaults and recoveries on the Collateral, capital gains and losses on the Collateral, prepayments on the Collateral and availability, prices and interest rates of the Collateral.

Nature of Collateral. The Collateral will consist primarily of non-investment grade loans or interests in non-investment grade loans and high-yield debt securities, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. In addition, there can be no assurance that the Collateral Manager will correctly evaluate the nature and magnitude of the various factors that could affect the value and return of the Collateral Debt Securities and purchase Collateral Debt Securities that can generate high returns for the Issuer. It is anticipated that the Collateral generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular types of Collateral Debt Securities.

Prices of the Collateral may be volatile and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Collateral. The market for high-yield

debt securities, in particular, has experienced periods of price volatility and reduced liquidity. Additionally, loans and interests in loans have significant liquidity and market value risks since they are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded securities. In addition, historically the trading volume in the loan market has been small relative to the high-yield debt securities market.

A non-investment grade loan or debt obligation or an interest in a non-investment grade loan is generally considered speculative in nature and may become a Defaulted Security for a variety of reasons. A Defaulted Security may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such Defaulted Security. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such Defaulted Security. The liquidity for Defaulted Securities may be limited, and to the extent that Defaulted Securities are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. Furthermore, there can be no assurance that the ultimate recovery on any Defaulted Security will be at least equal to either the minimum recovery rate assumed by either Rating Agency in rating the Rated Notes, or any recovery rate used in connection with any analysis of the Securities that may have been prepared for or at the direction of Holders of any Securities.

A high-yield debt security is generally unsecured, may be subordinated to other obligations of its issuer and generally has greater credit, insolvency and liquidity risk than is typically associated with investment grade obligations. Depending upon market conditions, there may be a very limited market for high-yield debt securities. High-yield debt securities are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. The lower rating of high-yield debt securities reflects a greater possibility that adverse changes in the financial condition of the obligor or general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings or disruptions in the financial markets) or both may impair the ability of the obligor to make payments of principal and interest.

High-yield debt securities and leveraged loans have historically experienced greater default rates than has been the case for investment grade securities. There can be no assurance as to the levels of defaults and/or recoveries that may be experienced on the Collateral Debt Securities.

Market Condition Risk on Reinvestment. The ability of the Issuer to obtain Collateral Debt Securities or to enter into forward commitments for the purchase of Collateral Debt Securities, and the interest rates and terms on which such Collateral Debt Securities can be obtained, as well as the interest rates and other terms in connection with the investment of funds in Eligible Investments, may affect the timing and amount of payments to the Holders of the Notes. Disposing of Credit Risk Securities, Credit Improved Securities and a limited amount of

other Collateral Debt Securities and purchasing Collateral Debt Securities and substitute Collateral Debt Securities, subject to meeting the Investment Criteria, will expose the Issuer to the market conditions prevailing at the time of such sale and reinvestment and may result in changes in the characteristics and quality of the collateral included in the Collateral. The impact, including any adverse impact, of such reinvestment (or lack thereof) and of the yields on such substitute Collateral Debt Securities on the Holders of the Subordinated Notes would be magnified by the leveraged nature of the Issuer's capital structure.

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

Concentration Risk. A limited amount of concentration with respect to any particular obligor, region or industry is expected to exist at the Effective Date. However, redemptions of Collateral Debt Securities and reinvestment may result in a greater concentration in any one obligor, region or industry and such concentration would subject the Notes to a greater degree of risk with respect to collateral defaults by such obligor, and such concentration of the portfolio in any one industry or region would subject the Notes to a greater degree of risk with respect to economic downturns relating to such industry or region.

Covenant-lite Loans. The Issuer has acquired loans (and may acquire additional loans before and after the Closing Date) which are governed by loan agreements that do not have financial covenants which the borrower is required to maintain. The loan agreements for these loans (sometimes referred to as "covenant-lite loans") do not have "maintenance tests" which are reviewed periodically in order to determine whether the borrower's operating performance is satisfactory and which provide lenders with greater control over the quality of their investment by requiring the borrower to more strictly preserve its credit quality. The lack of maintenance tests in a covenant-lite loan may result in a higher risk of loss and may hinder a lender's ability to restructure a problematic loan in order to mitigate the lender's exposure to loss. As a result, S&P has announced that it expects to impose lower recovery rates on covenant-lite loans later in 2007 and that it will review the ratings on notes (such as the Rated Notes) issued prior to August 31, 2007 under indentures (such as the Indenture) which did not provide for such lower recovery rates in order to determine whether such ratings should be confirmed or reduced.

Sale of Collateral Upon Default on the Notes. A portion of the Collateral Debt Securities securing the Notes will have interest rates that remain constant until their maturity. Accordingly, their market value will generally fluctuate with changes in market rates of interest. The market value of the Collateral Debt Securities will also generally fluctuate with, among other things,

general economic conditions, world political events, developments or trends in any particular industry, the conditions of financial markets and the financial condition of the issuers of such Collateral Debt Securities. Therefore, if an Event of Default occurs with respect to the Notes, there can be no assurance that the proceeds of any sale by the Trustee of Collateral Debt Securities and other collateral securing such Notes will be sufficient to pay in full any amounts payable to the Trustee, the Collateral Manager, any Hedge Counterparty and all expenses of the Issuer and the principal of and interest on such Notes. In addition, certain conditions set forth in the Indenture must be satisfied before the Trustee is permitted to sell Collateral Debt Securities and other collateral pledged as security for the Notes following an Event of Default.

Credit Ratings of Debt Obligations. Credit ratings of debt obligations represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of the Collateral Debt Securities will be used by the Collateral Manager only as a preliminary indicator of investment quality. 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.

End of Initial Investment Period; Ratings. If, at the end of the Initial Investment Period, the Issuer is required to pay down principal on the Rated Notes in order to receive Rating Agency Confirmation, such action may reduce amounts available to pay interest on the Rated Notes and Excess Interest (if any) on the Subordinated Notes. In general, the unavailability of obligations that satisfy the Investment Criteria or changes in general economic conditions or the condition of certain financial markets may result in the reduction or withdrawal of the ratings assigned to the Rated Notes by the Rating Agencies.

Certain Legal and Insolvency Considerations. Prior to the Closing Date, the Issuer entered into the Warehouse Agreement with the Financing Party pursuant to which the Issuer has acquired and will acquire Collateral Debt Securities. Some of these Collateral Debt Securities were acquired from the Financing Party and may have been held by the Financing Party for an extended period of time prior to their purchase by the Issuer.

To the extent that Financing Party or its Affiliates hold (directly or indirectly) beneficial interests in Subordinated Notes on or after the Closing Date, either by the acquisition of unsold Subordinated Notes on the Closing Date or otherwise, if the Financing Party were to become subject to a bankruptcy, delinquency, rehabilitation, liquidation or similar insolvency proceeding (a "**Proceeding**"), an argument could be made that the repayment of the Financing Loans pursuant to the Warehouse Agreement should be recharacterized as a pledge of the Collateral Debt Securities to secure a loan from the Issuer to the Financing Party rather than being treated as a sale.

If such arguments were successful, the Issuer (or the Trustee) would have a secured claim against the Financing Party. In such a case, the Issuer (or the Trustee) might be delayed or

prohibited from exercising remedies with respect to the Collateral Debt Securities, other collateral might be substituted for the Collateral Debt Securities, collections on the Collateral Debt Securities or other collateral might be applied to the payments on the Securities at different times than those required by the Indenture, and post-Proceeding interest might be limited and, to the extent any distributions on the Collateral Debt Securities were paid to the Financing Party, the security interest of the Issuer (and the Trustee) in such distributions might be avoidable. Even if such arguments were not successful, it is possible that payments on the Securities would be subject to delays while the claim was being resolved. Furthermore, during the period of delay, the costs associated with collecting the amounts receivable under the Collateral Debt Securities could be charged against such Collateral Debt Securities, including the Issuer's interest therein.

If the Financing Party were subject to a Proceeding, an argument could also be made that the separate existence of the Issuer should be ignored, and accordingly that the assets and liabilities of the Issuer should be considered assets and liabilities of the Financing Party. If this argument were successful, the Trustee on behalf of the Secured Parties would be considered to be a secured creditor in the consolidated proceeding with respect to the Financing Party, and the Trustee would be subject to the delays, prohibitions and other possible effects described above. Even if this argument were not successful, it is possible that payments on the Securities would be subject to delays while the claim was being resolved.

Respecting the possibility that the assets and liabilities of the Issuer could be consolidated with those of the Financing Party, the parties have taken steps in structuring the transactions that are intended to minimize the risk that the separate identity of the Issuer would not be respected. These steps include the creation of the Issuer as a separate, special purpose company and restrictions on the nature of its business and an undertaking by the Issuer to observe material legal formalities. See "The Issuer."

Lender Liability; Equitable Subordination. A number of judicial decisions have upheld judgments of borrowers against lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has violated a duty (whether implied or contractual) of good faith, commercial reasonableness and fair dealing, or a similar duty owed to the borrower or has assumed an excessive degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of the Collateral, the Issuer may be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of their nature, the Collateral Debt Securities may be subject to claims of equitable subordination.

Because Affiliates of, or persons related to, the Collateral Manager may hold equity or other interests in obligors of Collateral Debt Securities, the Issuer could be exposed to claims for equitable subordination or lender liability or both based on such equity or other holdings.

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

Second Lien Loans. The Collateral Debt Securities will include loans, each of which (i) is not (and cannot by its terms become) subordinate in right of payment to any unsecured obligation of the obligor other than a Senior Secured Loan including, without limitation, in any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, (ii) is secured by a valid and perfected second priority interest or lien on collateral (excluding obligations secured solely by intangibles and/or common stock or other equity interests), but which is subordinated (with respect to liquidation preferences with respect to pledged collateral) to other secured obligations of the obligors secured by all or a portion of the collateral securing such secured loan and (iii) with respect to which the Collateral Manager determines on behalf of the Issuer in good faith that the value of the collateral securing the loan on or about the time of origination equals or exceeds the outstanding principal balance of the loan plus the aggregate outstanding balances of all other loans of equal or higher seniority secured by the same collateral (each, a "**Second Lien Loan**").

Second Lien Loans are typically subject to intercreditor arrangements, the provisions of which may prohibit or restrict the ability of the second lien creditors to (i) exercise remedies against the collateral with respect to their second liens; (ii) challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens; (iii) challenge the enforceability or priority of the first liens on the collateral; and (iv) exercise certain other secured creditor rights, both before and during a bankruptcy of the borrower. In addition, during a bankruptcy of the obligor, the holder of a Second Lien Loan may be required to give advance consent to (a) any use of cash collateral approved by the first lien creditors; (b) sales of collateral approved by the first lien lenders and the bankruptcy court, so long as the second liens continue to attach to the sale proceeds; and (c) debtor-in-possession financings.

Prepayment of Loans. Loans are generally prepayable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon. The obligor may also be required to pay a breakage fee in the case of a prepayment; however there is no assurance that any such breakage fee will fully compensate the lender for the loss of future interest payments on such loan. Prepayments on loans may be caused by a variety of factors which are often difficult to predict. Consequently, there exists a risk that loans purchased at a price greater than par may experience a capital loss as a result of such a prepayment. In addition, principal proceeds received upon such a prepayment are subject to reinvestment risk during the Reinvestment Period. Any inability of the Issuer to reinvest payments or other proceeds in Collateral Debt Securities that satisfy the Investment Criteria may adversely affect the timing and amount of payments received by the Holders of Securities and the yield to maturity of the

Notes. There is no assurance that the Issuer will be able to reinvest proceeds in assets with comparable interest rates that satisfy the Investment Criteria or (if it is able to make such reinvestments) as to the length of any delays before such investments are made.

Assignments and Participations. The Issuer may acquire interests in loans either directly (by way of assignment from the selling institution) or indirectly (by purchasing a Participation Interest from the selling institution or through the acquisition of Synthetic Securities). As described in more detail below, holders of Participation Interests and Synthetic Securities are subject to additional risks not applicable to a holder of a direct interest in a loan.

Participations by the Issuer in a selling institution's portion of a loan typically result in a contractual relationship only with such selling institution, not with the borrower. In the case of a Participation Interest, the Issuer will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such selling institution of such payments from the borrower. By holding a Participation Interest in a loan, the Issuer generally will have no right to enforce compliance by the borrower with the terms of the loan agreement and the Issuer may not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, the Issuer will assume the credit risk of both the borrower and the institution selling the participation, which will remain the legal owner of record of the applicable loan. In the event of the insolvency of the selling institution, the Issuer, by owning a Participation Interest, may be treated as a general unsecured creditor of the selling institution, and may not benefit from any set off between the selling institution and the borrower. In addition, the Issuer may purchase a participation from a selling institution that does not itself retain any beneficial interest in any portion of the applicable loan and, therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower. When the Issuer holds a Participation Interest in a loan it will not have the right to vote under the applicable loan agreement with respect to every matter that arises thereunder, and it is expected that each selling institution will reserve the right to administer the loan sold by it as it sees fit and, subject to the terms of the participation agreement, to amend the documentation evidencing such loan in all respects. Selling institutions voting in connection with such matters may have interests different from those of the Issuer and may fail to consider the interests of the Issuer in connection with their votes.

The purchaser of an assignment of an interest in a loan typically succeeds to all the rights and obligations of the assigning selling institution and becomes a lender under the loan agreement with respect to that loan. As a purchaser of an assignment, the Issuer generally will have the same voting rights as other lenders under the applicable loan agreement, including the right to vote to waive enforcement of breaches of covenants or to enforce compliance by the borrower with the terms of the loan agreement, and the right to set off claims against the borrower and to have recourse to collateral supporting the loan. Assignments are, however, arranged through private negotiations between assignees and assignors, and in certain cases the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning selling institution.

Assignments and participations are sold without recourse to the selling institutions, and the selling institutions will generally make minimal or no representations or warranties about the

underlying loan, the borrowers, the documentation of the loans or any collateral securing the loans. In addition, the Issuer will be bound by provisions of the underlying loan agreements, if any, that require the preservation of the confidentiality of information provided by the borrower.

Synthetic Securities. A portion of the Collateral may consist of Synthetic Securities, the Reference Obligations of which may be leveraged loans, high-yield debt securities or similar securities. Investments in such types of assets through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such Collateral Debt Securities. With respect to each Synthetic Security, the Issuer will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the Reference Obligor. The Issuer generally will have no right directly to enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of set-off against the Reference Obligor, may be subject to set-off rights exercised by the Reference Obligor against the counterparty or another Person, and generally will not have any voting or other contractual rights of ownership with respect to the Reference Obligation. The Issuer will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. The counterparty from which the Issuer purchases a Synthetic Security may not own the Reference Obligation or any other obligation of the Reference Obligor and thus may not have any rights with respect to the Reference Obligation or the Reference Obligor. In addition, in the event of the insolvency of the counterparty, the Issuer will be treated as a general creditor of such counterparty, and will not have any claim with respect to the Reference Obligation. 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 Securities to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. Moody's or S&P may downgrade one or more Classes of Securities if a counterparty to a material portion of the Synthetic Securities held by the Issuer has been downgraded by Moody's or S&P, respectively. Before any Synthetic Security may be purchased, Rating Agency Confirmation is required unless the Synthetic Security conforms to a form for which Rating Agency Confirmation was obtained previously.

In addition, the Synthetic Securities are subject to certain documentation risks. The Synthetic Securities may be credit default swaps with loans as the Reference Obligations and using a form of confirmation published by ISDA for credit default swaps having loans as reference obligations, which form incorporates (with certain modifications) the 2003 ISDA Credit Derivatives Definitions, as supplemented by the May 2003 Supplement thereto, in each case as published by the International Swaps and Derivatives Association, Inc., and as the same may be amended, modified or otherwise supplemented from time to time (the "**Credit Derivatives Definitions**"). The credit default swap market is expected to continue to change over time and the loan confirmation is subject to interpretation and further development. As a result, the Synthetic Securities entered into by the Issuer may differ from the future market standard. Any difference between the documents pursuant to which the Issuer enters into Synthetic Securities and the forms generally used by the market for credit default swaps over time may have a negative impact on the liquidity and market value of such Synthetic Securities.

There can be no assurance that changes to the Credit Derivatives Definitions and other terms applicable to credit default swaps generally, or to credit default swaps on loans in particular, and the interpretation of such definitions and other terms will be predictable or favorable to the Issuer. Amendments or supplements to the loan confirmation or the related Credit Derivatives Definitions will not apply to the Synthetic Securities previously entered into by the Issuer unless the Issuer and the related counterparty agree to amend such Synthetic Securities. Furthermore, the Credit Derivatives Definitions contain provisions that are subject to different interpretations and may therefore result in consequences that are adverse to the Issuer. Accordingly, in addition to the credit risk of the Reference Obligations and/or Reference Obligors and the credit risk of the related Synthetic Security Counterparties, 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.

In addition, due to restrictions applicable to the Issuer as a special purpose entity, Synthetic Securities in the form of credit default swaps entered into by the Issuer with respect to loans could contain certain modified terms (relative to the ISDA model forms), which may (i) increase the likelihood that such a Synthetic Security would terminate at a time that it otherwise could have continued with a substitute Reference Obligation and/or (ii) increase the probability of cash settlement for such Synthetic Securities (because the Issuer will not be able to accept physical delivery of certain types of obligations). In addition, to the extent that such modified terms are not standard in the developing market for credit default swaps on loans, the pricing or liquidity of such Synthetic Securities entered into by the Issuer could be adversely affected.

The Issuer expects that the returns on each Synthetic Security will generally reflect those of the related Reference Obligation. However, as a result of the terms of the Synthetic Security and the assumption of the credit risk of the related Synthetic Security Counterparty, a Synthetic Security may have 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 Reference Obligation, the terms of a Synthetic Security may provide for different maturities, payment dates or other characteristics. Upon default on a Reference Obligation, or in certain circumstances, default or other actions by an issuer of a Reference Obligation, the terms of the relevant Synthetic Security may permit or require the Synthetic Security Counterparty to satisfy its obligations under the Synthetic Security by delivering to the Issuer the Reference Obligation or an amount equal to the then current market value of the Reference Obligation. In addition, upon maturity, default, acceleration or any other termination (including a put or call), of the Synthetic Security, the terms of the Synthetic Security may permit or require the Synthetic Security Counterparty 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 current market value of the Reference Obligation. To the extent that any Synthetic Securities perform less well than the related Reference Obligations, investment in such Synthetic Securities could have an adverse effect on the holders of the Notes relative to a comparable cash investment in the relevant Reference Obligations.

In the case of a Synthetic Security structured as a credit default swap, following the occurrence of a "credit event" in respect of the Reference Obligor, the Issuer will be obligated to make a settlement payment to the Synthetic Security Counterparty, generally by physical

settlement with the Issuer paying the amount of the relevant Principal Balance, in exchange for delivery of the Reference Obligation and/or other specified obligations of the Reference Obligor selected by the Synthetic Security Counterparty as the Deliverable Obligation. The physical settlement payment to the Synthetic Security Counterparty upon the occurrence of a "credit event" is likely to be in an amount greater than the Issuer's ultimate recovery, if any, on the Deliverable Obligation.

The credit and market risks inherent in ownership of any debt security are likely to be heightened in the case of the Deliverable Obligations, because the Reference Obligor is likely to be in default under the Deliverable Obligation at the time that it is delivered to the Issuer in settlement of a Synthetic Security, and the Reference Obligor may be insolvent at such time. In either case, the sale proceeds that the Issuer would receive upon sale of the Deliverable Obligation as a result are expected to be less, and the time period required for the Issuer to sell the Deliverable Obligation is expected to be longer, than if the Reference Obligor were not in default or insolvent. A decrease in the market value of the Deliverable Obligation would adversely affect the sale proceeds that could be obtained upon the sale of the Deliverable Obligations and ultimately the ability of the Issuer to pay in full or redeem the Notes.

In some circumstances, cash settlement of a Synthetic Security in the form of a credit default swap also may occur, which will cause the Issuer to incur a loss equal to the difference between the principal amount and the Synthetic Security Counterparty's estimate of the market value of the Reference Obligation.

In the circumstances specified in each Synthetic Security that is a credit default swap, including events of default thereunder or certain specified termination events (for example, if certain payments to be made thereunder are subject to the imposition of a withholding tax), the Issuer or the Synthetic Security Counterparty may terminate the Synthetic Security (and in some cases other Synthetic Securities entered into by the Issuer and such counterparty). The Issuer may be required to make a payment to a Synthetic Security Counterparty regardless of which party terminates the transaction, including if the Issuer terminates a transaction in connection with the liquidation of the Collateral following an Event of Default under the Indenture, or in connection with a redemption in whole of all of the Notes. As a result of such termination payments, the Issuer may not have sufficient available funds to pay principal on all Classes of Rated Notes or make distributions in respect of the Subordinated Notes.

In the case of a Synthetic Security in the form of a swap, the Issuer may be required at the time of entering into such Synthetic Security to purchase Synthetic Security Collateral and to pledge for the benefit of the related Synthetic Security Counterparty a first priority security interest in such collateral. Under the terms of the related Synthetic Security, the Collateral Manager may not have the right to sell or transfer any Synthetic Security Collateral until the applicable Synthetic Security is terminated or matures, even under circumstances where the collateral deteriorates in credit quality. In addition, the Issuer may realize a loss upon any sale of any Synthetic Security Collateral. Except for investment income available for release from time to time as provided in the related Synthetic Security, Synthetic Security Collateral will not be available to make payments on the Notes and will not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests, the Portfolio Profile Tests, the Interest Reinvestment Test or the Coverage Tests. Any Synthetic Security Collateral remaining after all

payments have been made to the Synthetic Security Counterparty will be released from the lien for the benefit of the Synthetic Security Counterparty and will constitute Collateral Debt Securities or Eligible Investments to the extent it satisfies the definition thereof. The Collateral Manager may direct the sale of such released collateral, and the sale proceeds could be less than par. The Issuer will bear the market risk of such liquidation at a loss.

The Synthetic Security Counterparties will have no obligation to keep the Collateral Manager, the Issuer, the Trustee, the Collateral Administrator or the holders 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. None of the Issuer, the Trustee, the Collateral Manager, the Collateral Administrator and the holders of the Notes will have the right to inspect any records of the Synthetic Security Counterparties or the Reference Obligors, and the Synthetic Security Counterparties will be under no obligation to disclose any further information regarding the Reference Obligation, the Reference Obligor, any guarantor or any other Person.

The Return on Synthetic Securities, Delayed Drawdown Debt Securities and Revolving Collateral Debt Securities Will be Adversely Affected by the Return on Investments in the Revolver Funding Account and the Synthetic Security Reserve Account. For so long as the Issuer holds any Delayed Drawdown Debt Securities or Revolving Collateral Debt Securities the Issuer will be required to maintain Eligible Investments in the Revolver Funding Account with a Balance equal to the Aggregate Unfunded Amount at all times. Similarly, if the Issuer holds any Unfunded Synthetic Securities, it will be required to maintain Eligible Investments in the Synthetic Security Reserve Account with a Balance equal to the maximum amount payable by the Issuer under the Synthetic Security. All such Eligible Investments will be required to mature on the next Business Day. The Issuer expects to receive a return on such investments in the Revolver Funding Account or the Synthetic Security Reserve Account which is substantially below LIBOR, which will have an adverse effect on the Interest Proceeds available to the Issuer to pay interest on the Rated Notes and to make distributions on the Subordinated Notes.

Structured Finance Obligations. Structured Finance Obligations generally are limited-recourse obligations of the issuer thereof payable solely from the securities or obligations securing such Structured Finance Obligations, or the proceeds thereof. Consequently, holders of Structured Finance Obligations must rely solely on distributions on such underlying securities or obligations for payment in respect thereof. If such distributions are insufficient to make payments on the Structured Finance Obligations, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of such issuer to pay such deficiency shall be extinguished. Such underlying assets may consist of high yield debt securities, loans, structured finance securities and other debt instruments, generally rated below investment grade (or of equivalent credit quality). High yield debt securities are generally unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower rating of high yield debt securities and below investment grade loans reflects a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal or interest. Such investments may be speculative.

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

Many Structured Finance Obligations are subject to interest rate risk. The securities or obligations securing Structured Finance Obligations may bear interest at a fixed rate while the Structured Finance Obligations issued by such issuer may bear interest at a floating rate (or the reverse may be true). As a result, there could be a floating/fixed rate or basis mismatch between such Structured Finance Obligations and the underlying securities or obligations. In addition, there may be a timing mismatch between the Structured Finance Obligations and the underlying securities or obligations that bear interest at a floating rate, as the interest rate on such floating rate securities or obligations may adjust more frequently or less frequently, on different dates and based on different indices, than the interest rates on the Structured Finance Obligations. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability of the issuers thereof to make payments on the Structured Finance Obligations.

International Investing. A portion of the Collateral may consist of obligations of issuers or obligors organized or incorporated under the laws of a country other than the United States or a state thereof. Investments in the obligations of non-U.S. issuers involve certain special risks related to regional economic conditions and sovereign risks which are not normally associated with investments in the securities of sovereign and corporate issuers located in the United States. These risks may include risks associated with political and economic uncertainty, fluctuations of currency exchange rates, lower levels of disclosure and regulation in foreign securities markets, confiscatory taxation, taxation of income earned in foreign nations or other taxes or restrictions imposed with respect to investments in foreign nations, foreign exchange controls (which may include suspension of the ability to transfer currency from a given country and repatriation of investments) and uncertainties as to the status, interpretation and application of laws. In addition, there is often less publicly available information about non-U.S. issuers than about sovereign and corporate issuers in the United States. Sovereign and corporate issuers in countries other than the United States may not be subject to uniform accounting, auditing and financial reporting standards, and auditing practices and requirements for both foreign public and private issuers may not be comparable to those applicable to U.S. companies. It also may be difficult to obtain and enforce a judgment relating to Collateral Debt Securities issued by a non-U.S. issuer in a court outside the United States.

Also, the economies of individual non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rates of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Moreover, the economies of certain foreign countries are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. In addition, many of such securities

and obligations have lower ratings than comparable U.S. securities and obligations, reflecting a greater possibility that adverse changes in the financial condition of an issuer or obligor or in general economic conditions or both may impair the ability of the issuer or obligor to make payments of principal and interest which may, in turn, have an adverse effect on payments on the Notes.

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

In general, if payments on Collateral Debt Securities are avoidable, whether as fraudulent transfers or conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Issuer) or from subsequent transferees of such payments (such as the Holders of the Securities). To the extent that any such payments are recaptured from the Issuer, the resulting loss will be borne by the Holders of the Notes, beginning with the Subordinated Notes as the most junior class. However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of any such payment from a Holder of Notes only to the extent that such court has jurisdiction over such Holder or its assets. Moreover, it is likely that avoidable payments could not be recaptured directly from a Holder that has given value in exchange for its Security, in good faith and without knowledge that the payments were avoidable. Nevertheless, since there is no judicial precedent relating to a structured transaction such as the Notes, there can be no assurance that a Holder of Notes will be able to avoid recapture on this or any other basis.

Redemption of Securities. If any Coverage Test is not satisfied on a Determination Date, Interest Proceeds and Principal Proceeds that otherwise would have been distributed to the Holders of more junior classes of Rated Notes and/or the Holders of the Subordinated Notes and/or Principal Proceeds will, in accordance with the Priority of Payments, be used to redeem such Notes to the extent necessary to cause compliance with such test. Any of these uses of Interest Proceeds and Principal Proceeds could result in an elimination, deferral or reduction in the payments of Interest Proceeds to the Holders of the Mezzanine Notes and the Class E Junior Notes and/or the Holders of the Subordinated Notes, reduce the amount of Principal Proceeds otherwise available for reinvestment and adversely affect returns on such Notes. See "Description of the Securities—Principal" and "Description of the Securities—Priority of Payments."

The Holders of a Supermajority of the Subordinated Notes (in the case of an optional redemption) and the Collateral Manager with the consent of a Majority of the Subordinated Notes (in the case of a Refinancing) may cause the Securities to be redeemed at any time after the Non-Call Period as described under "Description of the Securities—Optional Redemption and Redemption by Refinancing." In the event of a redemption, there can be no assurance that, upon any such redemption, available funds would permit any distribution on the Subordinated Notes after all required payments are made to the Holders of the Rated Notes and for the payment of expenses. In addition, a redemption of Notes could require the Collateral Manager to liquidate positions more rapidly than might otherwise be desirable, which could adversely affect the realized value of the Collateral Debt Securities sold.

The Indenture provides that the Rated Notes may be redeemed in whole, but not in part, on any Payment Date after the Non-Refinancing Period from Refinancing Proceeds subject to the satisfaction of certain requirements. See "Description of the Securities—Optional Redemption and Redemption by Refinancing." Holders of Rated Notes that are refinanced (or otherwise optionally redeemed) may not be able to reinvest the proceeds of such redeemed Notes in assets with comparable interest rates or maturity.

An Optional Redemption (including an Optional Redemption from Refinancing Proceeds) may also result in a shorter investment than a Holder of Rated Notes may have anticipated.

General Market and Credit Risks of Debt Securities. Debt portfolios are subject to credit and interest rate risks. Credit risk refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities and other debt instruments which are rated by rating agencies are often reviewed and may be subject to downgrade. Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) or directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics

of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Interest Rate Mismatch Risk. Although the Collateral Debt Securities will generally bear interest at a floating rate and the Floating Rate Notes will bear interest at a floating rate (based on three-month LIBOR other than with respect to the first Payment Date), a portion of the Collateral Debt Securities will bear interest at a fixed rate and there will be mismatches between the floating rates applicable to the Collateral Debt Securities and the LIBOR applicable to the Floating Rate Notes, as well as timing mismatches based on different reset dates for such floating rates. Moreover, it is expected that there will be mismatches between the Aggregate Outstanding Amount of the Rated Notes and the Aggregate Principal Balance of the Floating Rate Obligations. In addition, the interest rates applicable to Eligible Investments may be fixed or floating and are generally expected to be lower than the interest rates on the Collateral Debt Securities. Accordingly, changes in the level of LIBOR or any other applicable floating rate index could adversely affect the ability of the Issuer to make payments on the Notes. The Issuer may from, time to time, enter into one or more Hedge Agreements to hedge interest rate risk. However, the Issuer does not expect to enter into a Hedge Agreement on the Closing Date and there can be no assurance that the Issuer will enter into any Hedge Agreement and that, if there is any such Hedge Agreement, the Collateral Debt Securities and the Eligible Investments will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Rated Notes.

Risks Associated with Termination of Hedge Agreements. Generally, if the Issuer were to enter into any Hedge Agreements, the Issuer would be able to reduce the notional amount of any Hedge Agreement in connection with payments of principal of any Class of Rated Notes. In the case of such notional amount reduction or any early termination of any Hedge Agreement, the Issuer may be required to make a payment to a Hedge Counterparty, and any amounts that would be required to be paid by the Issuer to enter into replacement Hedge Agreements will reduce amounts available for payments on the Notes. If this were to occur, there can be no assurance that the remaining payments on the Collateral would be sufficient to make payments of interest and principal on the Rated Notes.

Emerging Requirements of the European Community. Application has been made to list the Notes on the Irish Stock Exchange. No assurance can be given, however, that such application for listing will be accepted. As part of the harmonization of securities markets in Europe, the European Commission has adopted a directive known as the Prospectus Directive that regulates offers of securities to the public and admissions to trading to E.U. regulated markets. The European Commission has adopted Directive 2004/109/EC (the "**Transparency Directive**") (which was implemented into Irish law on June 13, 2007) that will, among other things, impose continuing financial reporting obligations on issuers that have certain types of securities admitted to trading on an E.U. regulated market. In addition, Directive 2003/6/EC (the "**Market Abuse Directive**") harmonizes the rules on insider trading and market manipulation in respect of securities admitted to trading on an E.U. regulated market and requires issuers of such securities to disclose any non-public, price sensitive information as soon as possible, subject to certain limited exemptions. The listing of Securities on the Irish Stock Exchange would subject the Issuer to regulation under these directives, although the requirements applicable to the Issuer

is not yet fully clarified. The Indenture will not require the Issuer to maintain a listing for any Class of Securities on an E.U. stock exchange if compliance with these directives (or other requirements adopted by the European Commission or a relevant Member State) becomes burdensome in the sole judgment of the Collateral Manager.

Stated Maturity Date; Average Life and Prepayment Considerations. The average life of each Class of Rated Notes is expected to be shorter than the number of years until Stated Maturity. Each such average life may vary due to various factors affecting the early retirement of Collateral Debt Securities, the timing and amount of sales of such Collateral Debt Securities, the ability of the Collateral Manager to invest collections and proceeds in additional Collateral Debt Securities, and the occurrence of any Mandatory Redemption, Optional Redemption or Special Redemption. Retirement of the Collateral Debt Securities prior to their respective final maturities will depend, among other things, on the financial condition of the issuers of the underlying Collateral Debt Securities and the respective characteristics of such Collateral Debt Securities, including the existence and frequency of exercise of any Optional Redemption, Mandatory Redemption or sinking fund features, the prevailing level of interest rates, the redemption prices, the actual default rates and the actual amount collected on any Defaulted Securities and the frequency of tender or exchange offers for such Collateral Debt Securities. A substantial portion of Collateral Debt Securities are anticipated to be loans. Loans are generally prepayable at par and have a shorter average life to maturity than high yield instruments, and a high proportion of loans could be prepaid.

Reinvestment after the Reinvestment Period Ends. The Collateral Manager may elect to reinvest the Principal Proceeds of Credit Improved Securities and Prepaid Collateral Debt Securities received after the Reinvestment Period in Collateral Debt Securities, subject to certain conditions set forth herein. The continued reinvestment of such Principal Proceeds in substitute Collateral Debt Securities will reduce the amount of Principal Proceeds available for distribution pursuant to the Priority of Payments, and in certain cases may result in no Principal Proceeds being available for distribution to holders of the Notes pursuant to the Priority of Payments. If either of these circumstances were to occur, this could result in an increase to the average lives of the Notes and the duration of the Subordinated Notes. Furthermore, if, as of any Determination Date during or after the Reinvestment Period, the Interest Reinvestment Test is not satisfied, up to 60% of any Interest Proceeds that would otherwise be payable to the holders of the Subordinated Notes will be used instead to acquire additional Collateral Debt Securities. See "Maturity and Prepayment Considerations."

Early Termination of the Reinvestment Period. Although the Reinvestment Period is scheduled to terminate on the Payment Date occurring in July 2014, the Reinvestment Period may terminate prior to such date upon the earliest of occur of any of the following: (i) the date on which the maturity of the Notes is accelerated due to an Event of Default as described under "Description of the Securities—The Indenture," (ii) the end of the Due Period related to the Payment Date on which all of the Notes are subject to Optional Redemption and (iii) the date on which the Collateral Manager reasonably believes and so notifies the Issuer, the Rating Agencies, the Collateral Administrator and the Trustee that it can no longer reinvest in additional Collateral Debt Securities in accordance with the Indenture and the Collateral Management Agreement. If the Reinvestment Period terminates prior to the Payment Date occurring in July

2014, such early termination may affect the expected average lives of the Notes described under "Maturity and Prepayment Considerations."

Withholding on Payments on the Notes. The Issuer expects that payments of principal and interest on the Rated Notes and distributions on the Subordinated Notes ordinarily will not be subject to withholding tax imposed by the Cayman Islands or the United States. See "Income Tax Considerations." Nonetheless, in the event any tax imposed by the Cayman Islands, the United States or any other jurisdiction must be withheld or deducted from payments of principal or interest on the Rated Notes and distributions on the Subordinated Notes, the Issuer shall not be obligated to make any additional payments to the Holders of any Notes on account of such withholding or deduction.

Taxes on the Issuer. The Issuer expects to conduct its affairs so that its net income will not become subject to United States Federal income tax. There can be no assurance, however, that its net income will not become subject to United States Federal income tax as the result of activities by the Issuer, changes in law, contrary conclusions by United States tax authorities or other causes. In addition, there is no direct authority on whether the secondary market purchase of an interest in non-fully funded credit facilities could be treated as the conduct of a lending business. If the Issuer were treated as engaged in a U.S. trade or business for U.S. Federal income tax purposes, the imposition of U.S. Federal income tax (including "branch profits" tax) on the Issuer could materially impair the Issuer's ability to make payments on the Notes.

Payments on the Collateral Debt Securities (other than commitment fees and certain other fees on Delayed Drawdown Debt Securities, Revolving Collateral Debt Securities, Synthetic Letters of Credit or non-fully funded facilities) are required not to be subject to withholding tax when the Collateral Debt Securities are acquired by the Issuer unless the obligor is required to make "gross-up" payments. The Issuer expects that payments received on Eligible Investments and the Hedge Agreements generally will not be subject to withholding taxes. Those payments, however, might become subject to U.S. or other withholding tax due to a change in law or other causes, possibly with retroactive effect. Payments with respect to Equity Securities (if held by the Issuer) and fees paid on Synthetic Letters of Credit likely will be, and commitment fees and similar fees described above and payments on certain Defaulted Securities may 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 not offset by "gross-up" payments could result in an Optional Redemption upon the occurrence of a Tax Event and materially impair the Issuer's ability to pay principal, interest and other amounts on the Notes. See "Income Tax Considerations."

Tax Treatment of Holders of Subordinated Notes. While the Subordinated Notes may be in the form of debt, the Issuer will treat, and each registered holder and beneficial owner of a Subordinated Note, by accepting a Subordinated Note, will be deemed to have agreed to treat, the Subordinated Notes as equity of the Issuer for U.S. Federal income tax purposes. Because of the nature and composition of the projected assets and income of the Issuer, the Issuer is expected to be a "passive foreign investment company" (a "**PFIC**") for U.S. Federal income tax purposes. A U.S. holder of Subordinated Notes (a "**U.S. Subordinated Noteholder**") must generally choose either (1) to elect to treat the Issuer as a "qualified electing fund" (a "**QEF**") as a result of which such U.S. Subordinated Noteholder must include its *pro rata* share of the

Issuer's ordinary income and net capital gains on a current basis without regard to Cash distributions or (2) to pay income taxes only when Cash distributions are actually received or gains realized upon disposition of equity, but subject to potentially significant additional taxes.

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

The Issuer may invest in Collateral Debt Securities which are treated as equity of other PFICs (for Federal tax purposes). In such event, a U.S. Subordinated Noteholder would have to make a separate QEF election with respect to any such other PFIC. In such case, the Issuer will provide, to the extent it receives, the information needed for U.S. Subordinated Noteholders to make such a QEF election. U.S. Subordinated Noteholders should consult with their own tax advisors with respect to the tax consequences of such a situation.

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

The Issuer could also be a "controlled foreign corporation" (a "CFC") depending on the percentage ownership by U.S. holders of its voting equity (for U.S. Federal income tax purposes). If the Issuer were a CFC, certain U.S. holders of such voting equity (for U.S. Federal income tax purposes) would have to currently include their *pro rata* shares of the Issuer's "subpart F" income as ordinary income without regard to Cash distributions and recognize ordinary income in case of gain recognized on the sale or disposition of Subordinated Notes. It is expected that the Issuer's taxable income would consist of "subpart F" income. Consequently, a U.S. Subordinated Noteholder could pay taxes on significant "phantom income" as a result of its subpart F inclusions if the Issuer were a CFC.

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

Tax Treatment of U.S. Holders of Class E Junior Notes if Recharacterized as Equity. The U.S. Federal income tax treatment of the Class E Junior Notes is not entirely clear. The Issuer intends to treat the Class E Junior Notes as debt for U.S. Federal income tax purposes. Holders of the Class E Junior Notes will be required to treat such Notes as debt for U.S. Federal income tax purposes. If the Class E Junior Notes were recharacterized by the U.S. Internal Revenue Service or by the courts as equity for U.S. Federal income tax purposes, a U.S. holder generally would be treated as a U.S. holder of equity in a PFIC who did not make a QEF election and would be subject to the same treatment as a U.S. Subordinated Noteholder that did not make a QEF election. See "Tax Treatment of Holders of Subordinated Notes" above.

Potential U.S. investors in the Class E Junior Notes should consult with their own tax advisors about the potential recharacterization of the Class E Junior Notes, the consequences of the Issuer's PFIC status, the Issuer's potential CFC status and the tax consequences thereof. See "Income Tax Considerations."

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

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

Conflicts of Interest Involving the Collateral Manager. Various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the Collateral Manager, its Affiliates and their respective clients. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts or their potential consequences.

The Collateral Manager, its Affiliates and their respective clients may invest in obligations that would be appropriate as Collateral Debt Securities. Such investments may be

different from those made on behalf of the Issuer. The Collateral Manager and/or its Affiliates may also have ongoing relationships with, render services to or engage in transactions with other clients, including other issuers of collateralized loan obligations and collateralized debt obligations, who invest in assets of a similar nature to those of the Issuer, and with companies whose securities or loans are acquired by the Issuer as Collateral Debt Securities and may own equity or debt securities issued by issuers of, and other obligors on, Collateral Debt Securities. As a result, officers or Affiliates of the Collateral Manager may possess information relating to issuers of Collateral Debt Securities that is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Debt Securities and performing the other obligations under the Collateral Management Agreement. The Collateral Manager serves, and expects in the future to serve, as collateral manager or advisor or sub-advisor for other collateralized loan obligation vehicles and/or collateralized bond obligation vehicles (or the like) and other clients who invest in assets or a nature similar to those of the Issuer. The terms of these arrangements including the fees attributable thereto, may differ significantly from those of the Issuer. In particular, certain investment vehicles and accounts managed by the Collateral Manager may provide for fees (including incentive fees) to the Collateral Manager that are higher than the Collateral Management Fees payable by the Issuer under the Collateral Management Agreement. In addition, Affiliates and clients of the Collateral Manager may invest in securities or loans that are senior to, or have interests different from or adverse to, the securities and loans that are acquired by the Issuer as Collateral Debt Securities. The Collateral Manager and/or its Affiliates may at certain times be simultaneously seeking to purchase or dispose of investments for its respective account, the Issuer, any similar entity for which it serves as manager or advisor and for its clients or Affiliates. Subject to the requirements of the governing instruments pertaining to the Collateral Manager or its Affiliates, investment opportunities sourced by the Collateral Manager will generally be allocated to the Issuer in a manner that the Collateral Manager believes, in its good faith judgment, to be appropriate given factors that it believes to be relevant. Such factors may include the investment objectives, liquidity, diversification, lender covenants and other limitations of the Issuer and the Collateral Manager or other Affiliates and the amount of funds each of them has available for such investment. If the Issuer and another account managed by the Collateral Manager should purchase or sell the same securities or loans at the same time, the Collateral Manager anticipates that such purchases or sales, respectively, will be allocated in a good faith manner. The Collateral Manager intends to use its good faith efforts to allocate such investment among its accounts in an equitable manner and in accordance with applicable law.

Neither the Collateral Manager nor any of its Affiliates is under any obligation to offer investment opportunities of which they become aware to the Issuer or to account to the Issuer for (or share with the Issuer or inform the Issuer of) any such transaction or any benefit received by them from any such transaction or to inform the Issuer of any investments before offering any investments to other funds or accounts that the Collateral Manager and/or its Affiliates manage or advise. Furthermore, the Collateral Manager and/or its Affiliates may make an investment on behalf of any account that they manage or advise without offering the investment opportunity or making any investment on behalf of the Issuer. Furthermore, Affiliates of the Collateral Manager may make an investment on their own behalf without offering the investment opportunity to the Issuer, or the Collateral Manager making any investment on behalf of, the Issuer. Affirmative obligations may exist or may arise in the future whereby Affiliates of the Collateral Manager are obligated to offer certain investments to funds or accounts that such

Affiliates manage or advise before or without the Collateral Manager offering those investments to the Issuer. The Collateral Manager may make investments on behalf of the Issuer in securities, or other assets, that it has declined to invest in for its own account, the account of any of its Affiliates or the account of its other clients. The Collateral Manager will endeavor to resolve conflicts arising therefrom in a manner that it deems equitable to the extent possible under the prevailing facts and circumstances and applicable law.

Although the professional staff of the Collateral Manager will devote as much time to the Issuer as the Collateral Manager deems appropriate to perform its duties in accordance with the Collateral Management Agreement and in accordance with good faith commercial standards, the staff may have conflicts in allocating its time and services among the Issuer and the Collateral Manager's other accounts. The Indenture places significant restrictions on the Collateral Manager's ability to buy and sell Collateral Debt Securities. Accordingly, during certain periods or in certain circumstances, the Collateral Manager may be unable as a result of such restrictions to buy or sell securities or to take other actions that it might consider to be in the best interests of the Issuer and the Holders of the Securities.

The Collateral Manager and/or its Affiliates and/or accounts managed thereby may purchase Securities at any time, and on the Closing Date, the Collateral Manager will purchase (directly or indirectly) a portion of the Subordinated Notes. Securities may be sold by such party or parties to related and unrelated parties at any time after the Closing Date. Upon the removal or resignation of the Collateral Manager, the Issuer, at the direction of a Majority of the Subordinated Notes, will appoint a replacement collateral manager, if (a) Rating Agency Confirmation is obtained, (b) a Supermajority of the Controlling Class does not disapprove of such replacement Collateral Manager within 30 days of notice of such appointment and (c) certain other conditions set forth in the Collateral Management Agreement have been satisfied. If a replacement Collateral Manager is not appointed in accordance with this procedure, a Supermajority of the Controlling Class may have the right to designate the replacement Collateral Manager or, if no such replacement is designated or the designee is not appointed by the Issuer, a court may appoint the replacement Collateral Manager. See "The Collateral Management Agreement—Removal; Resignation; Appointment of a Successor."

Securities owned or beneficially owned by the Collateral Manager or any Affiliate of the Collateral Manager or held in accounts with respect to which the Collateral Manager exercises discretionary voting rights will be disregarded and deemed not to be Outstanding with respect to a vote to (1) terminate the Collateral Management Agreement, (2) remove the Collateral Manager, (3) approve a successor Collateral Manager, if the Collateral Manager is being terminated for "cause" pursuant to the Collateral Management Agreement, (4) waive an event of default by the Collateral Manager under the Collateral Management Agreement or (5) increase the rights or reduce the responsibilities of the Collateral Manager under the Collateral Management Agreement.

The Issuer may invest in securities of issuers in which the Collateral Manager and/or its Affiliates have an equity or participation interest. The purchase, holding and sale of such investments by the Issuer may enhance the profitability of the Collateral Manager's own investments in such companies. It is possible that the Collateral Manager or its Affiliates may

act as counterparty with respect to one or more Synthetic Securities or Securities Lending Agreements.

The Collateral Manager will be permitted under the Collateral Management Agreement, subject to certain requirements set forth therein, to direct the Trustee (on behalf of the Issuer) to purchase Collateral Debt Securities from the Collateral Manager or any of its Affiliates as principal, to enter into Synthetic Securities in which the Collateral Manager is the Synthetic Security Counterparty and to purchase or sell Collateral Debt Securities from or to accounts or portfolios of other clients for which the Collateral Manager or its Affiliates serve as investment advisor. See "The Collateral Management Agreement." The interests of the Issuer may conflict with those of the Collateral Manager as an Affiliate of and investment adviser to such other clients with respect to such sales or the entry into any such Synthetic Securities. The Collateral Management Agreement requires that any such sales or the entry into any such Synthetic Securities be made in accordance with all applicable laws, including the Investment Advisers Act.

There is no limitation or restriction on the Collateral Manager or any of its Affiliates with regard to acting as collateral manager (or in a similar role) to other parties or persons. This and other future activities of the Collateral Manager and/or its Affiliates may give rise to additional conflicts of interest.

It is expected that on the Closing Date the Collateral Manager and/or Affiliates thereof will own at least U.S.\$1,000,000 of the Subordinated Notes.

Conflicts Involving the Placement Agent. Banc of America Securities LLC ("**BA Securities**") is a Placement Agent. Upon the original issuance of the Collateral Debt Securities, BA Securities or its affiliates will have placed, arranged, participated or underwritten certain of the Collateral Debt Securities and will have provided commercial banking services, investment banking services and other services to obligors of Collateral Debt Securities. The Issuer may, from time to time, purchase Collateral Debt Securities from BA Securities or any of its affiliates on terms then prevailing in the market. BA Securities and its affiliates may have ongoing relationships (including investment banking, commercial banking and advisory services or engaging in securities or derivatives transactions) with obligors whose Collateral Debt Securities are pledged to secure the Notes and may own either equity securities or debt obligations (including Collateral Debt Securities) issued by such obligors. In addition, BA Securities and its affiliates, and clients of its affiliates, may invest in securities that are senior to, or have interests different from or adverse to, the Collateral Debt Securities. From time to time the Collateral Manager may purchase or sell Collateral Debt Securities through BA Securities or any of its affiliates. It is the intention of the Collateral Manager that all Collateral Debt Securities will be purchased by the Issuer on terms then prevailing in the market, except as described in "—Collateral Debt Securities May Be Purchased by the Issuer Prior to the Closing Date for More Than Their Market Value on the Closing Date." BA Securities takes no responsibility for, and has no obligations in respect of, the Issuer, and is not an advisor to the Issuer.

In addition, BA Securities and its affiliates may also act as the respective sellers of Participations or counterparties with respect to one or more Synthetic Securities and may act as the respective counterparties to any Hedge Agreements.

Affiliates of BA Securities and conduit investors administered by affiliates of BA Securities may purchase the Class A Notes. See "The Voting and Consent Rights with Respect to a Majority of the Class A Senior Notes." BA Securities may purchase a portion, or even a majority, of the Subordinated Notes and may thereafter retain or sell all or some of those Subordinated Notes. BA Securities or its affiliates (or one or more accounts or conduits managed by BA Securities or its affiliates) may hold Notes of any Class from time to time.

As a result of the foregoing, certain conflicts of interest may exist or arise between BA Securities and/or its affiliates and the holders of Notes.

Conflicts of Interest Involving the Trustee. In certain circumstances, the Trustee or its Affiliates may receive compensation in connection with the Trustee's (or such Affiliate's) investment in certain Eligible Investments from the managers of such Eligible Investments.

Lack of Operating History. The Issuer is a recently incorporated entity and has no prior operating history or track record. Accordingly, the Issuer does not have a performance history for a prospective investor to consider in making its decision to invest in the Securities.

Collateral Manager; Past Performance Not Indicative. The past performance of the Collateral Manager or its principals in other portfolios or investment vehicles may not be indicative of the results that the Collateral Manager may be able to achieve with the Collateral Debt Securities. Similarly, the past performance of the Collateral Manager or its principals over a particular period may not necessarily be indicative of the results that may be expected in future periods. Furthermore, the nature of, risks associated with, and strategies guiding the Issuer's investments may differ substantially from those investments and strategies undertaken historically by the Collateral Manager or its principals. There can be no assurance that the Issuer's investments will perform as well as past investments of the principals or such Affiliates, that the Issuer will be able to avoid losses, that the Issuer will be able to make investments similar to the past investments of the Collateral Manager or its principals or any other Person described herein, or that the Issuer will invest in accordance with the investment strategy set forth in "The Collateral Manager." In addition, such past investments may have been made utilizing a leveraged capital structure, an asset mix and fee arrangements that are different from the anticipated capital structure, asset mix and fee arrangements of the Issuer. Moreover, because the investment criteria that govern investments in the Issuer's portfolio do not govern the Collateral Manager or its principals' investments and investment strategies generally, such investments conducted in accordance with such criteria, and the results they yield, are not directly comparable with, and may differ substantially from other investments undertaken by the Collateral Manager or its principals.

In addition, the Indenture and the Collateral Management Agreement place significant restrictions on the Collateral Manager's ability to buy and sell Collateral, and the Collateral Manager is required to comply with the restrictions contained in the Indenture. Accordingly, during certain periods or in certain specified circumstances, the Collateral Manager may be unable to buy or sell Collateral Debt Securities or to take other actions which it might consider in the best interest of the Issuer and the Holders of Notes, as a result of the restrictions set forth in the Indenture.

Projections, Forecasts and Estimates. Estimates of the weighted average lives of the Notes, together with any projections, forecasts and estimates provided to prospective purchasers of the Notes, are forward-looking statements. Projections are necessarily speculative in nature, and it should be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results. Accordingly, actual results will vary from the projections, and such variations may be material.

Some important factors that could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates, exchange rates and default and recovery rates; market, financial or legal uncertainties; the timing of acquisitions of the Collateral Debt Securities; differences in the actual allocation of the Collateral Debt Securities among asset categories from those assumed; mismatches between the timing of accrual and receipt of Interest Proceeds from the Collateral Debt Securities and the effectiveness of any Hedge Agreements, among others.

None of the Issuer, the Placement Agent, the Collateral Manager or any of their respective Affiliates has any obligation to update or otherwise revise any projections, forecasts or estimates, 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.

No Representation as to Treatment of the Securities. None of the Issuer, the Placement Agent, the Collateral Manager, the Trustee, the Collateral Administrator or the Administrator or any Affiliate thereof makes any representation as to the accounting, capital, tax or other regulatory or legal consequences to investors of ownership of the Securities and no purchaser may rely on any such party for a determination of the accounting, capital, tax or other regulatory or legal consequences to such purchaser of ownership of the Securities. Each purchaser of Securities, by its accepting delivery of this Offering Memorandum or acceptance thereof, will be required to represent or will be deemed to have represented to the Issuer and the Placement Agent, among other things, that such purchaser has consulted with its own financial, legal and tax advisors regarding investment in the Securities as such purchaser has deemed necessary and that the investment by such purchaser is within its powers and authority, is permissible under applicable laws governing such purchase, has been duly authorized by it and complies with applicable securities laws and other laws.

Participation on Creditors' Committees. The Issuer may (through the Collateral Manager) participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Issuer may seek to negotiate directly with the debtors with respect to restructuring issues. If the Issuer does join a creditors' committee, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the Issuer in such proceedings. By participating on such committees, the Issuer may be deemed to have duties to other creditors represented by the committees, which might thereby expose the Issuer to liability to such other creditors who disagree with the Issuer's actions.

The Issuer may also be provided with material non-public information that may restrict the Issuer's ability to trade in the company's securities. While the Issuer intends to comply with

all applicable securities laws and to make judgments concerning restrictions on trading in good faith, the Issuer may trade in the company's securities while engaged in the company's restructuring activities. Such trading creates a risk of litigation and liability that may cause the Issuer to incur significant legal fees and potential losses.

Third Party Litigation. The Issuer's investment activities subject it to the normal risks of becoming involved in litigation by third parties. This risk would be somewhat greater if the Issuer were to exercise control or significant influence over a company's direction. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, absent fraud, willful misconduct, gross negligence or reckless or intentional disregard of the Collateral Manager's obligations under the Collateral Management Agreement and the terms of the Indenture applicable to the Collateral Manager, be borne by the Issuer and would reduce the Interest Proceeds available for distribution and the Issuer's net assets.

Money Laundering Prevention. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001, Pub. L. No. 107-56, 115 Stat. 296 (2001), as amended (the "**PATRIOT Act**"), requires financial institutions to establish and maintain anti-money laundering programs. Pursuant to this statute, on September 18, 2002, the Treasury Department issued proposed regulations that will, if enacted, require all "unregistered investment companies" to establish and maintain an anti-money laundering program. The proposed regulations would require "unregistered investment companies" to: (a) establish and implement policies, procedures and internal controls reasonably designed to prevent the investment company from being used for money laundering or the financing of terrorist activities and to achieve compliance with applicable anti-money laundering regulations; (b) periodically "test" the required compliance program; (c) designate and train all responsible personnel; (d) designate an anti-money laundering compliance officer; and (e) file a written notice with the Treasury Department within 90 days of the effective date of the regulations that identifies certain information regarding the subject company, including the dollar amount of assets under company management and the number of interest holders in the subject company. As the proposed rule is currently drafted, an "unregistered investment company" includes any issuer that (i) would be an investment company but for the exclusion from registration provided for by Section 3(c)(1) or 3(c)(7) of the Investment Company Act, (ii) permits an owner to redeem his or her ownership interest within two years of the purchase of that interest, (iii) has total assets over \$1,000,000 and (iv) is organized in the United States, is "organized, operated, or sponsored" by a U.S. person or sells ownership interests to a U.S. person. It is unclear at this time whether such procedures will apply to pooled investment vehicles such as the Issuer. The Issuer will continue to monitor the developments with respect to the PATRIOT Act and, upon further clarification by the Treasury Department, will take all steps required to comply with the PATRIOT Act and regulations thereunder to the extent applicable to the Issuer. It is possible that other legislation or regulation could be promulgated which will require the Collateral Manager or other service providers to the Issuer to share information with governmental authorities with respect to investors in the Securities in connection with the establishment of anti-money laundering procedures or require the Issuer to implement additional restrictions on the transfer of the Securities.

The Issuer reserves the right to request such information as is necessary to verify the identity of a Holder of Subordinated Notes and the source of the payment of subscription monies.

In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of Subordinated Notes and the subscription monies relating thereto may be refused.

If any Person in the Cayman Islands involved in the business of the Issuer (including the Administrator) has a suspicion or belief that a payment to the Issuer (by way of subscription or otherwise) is derived from or represents the proceeds of criminal conduct, that Person is obliged to report such suspicion to the Cayman Islands Reporting Authority pursuant to the Proceeds of Criminal Conduct Law (2005 Revision) of the Cayman Islands.

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

Modification of the Indenture. Pursuant to the terms of the Indenture, the Trustee and the Issuer may, from time to time, execute one or more supplemental indentures that add to, change, modify or eliminate provisions of the Indenture or modify the terms of the Notes. Approval for entering into such supplemental indentures does not in all cases require the consent of all of the Holders of the Outstanding Notes. Holders of the Outstanding Notes will not have the right to approve Issuance Supplemental Indentures, which will modify the Priority of Payments and may authorize Additional Notes that will be senior in priority to some or all of the Classes of Notes (*provided* that if any of the Additional Notes will be senior to, or *pari passu* with, any Notes of the Controlling Class, the consent of a Majority of the Controlling Class to any related Issuance Supplemental Indenture will be required). Accordingly, supplemental indentures that result in material and adverse changes to the interests of Noteholders may be approved without the consent of all of the Noteholders adversely affected. See "Description of the Securities—The Indenture—Modification of the Indenture."

Removal of the Collateral Manager. The Collateral Manager may be removed at any time with cause and replaced with a replacement Collateral Manager under the circumstances

described under "The Collateral Management Agreement—Removal; Resignation; Appointment of a Successor." For purposes of the Management Agreement, "cause" includes the failure of both Gunther Stein (or any Replacement Principal therefor) and Lenny Mason (or any Replacement Principal therefor) to be actively engaged in the daily activities of the Collateral Manager under the Management Agreement and in its CDO management business generally on a substantially full time basis for a period of more than 90 consecutive calendar days.

Limited Funds Available to the Issuer to Pay its Operating Expenses. The funds available to the Issuer to pay certain fees and expenses of the Trustee, the Collateral Administrator and the Administrator and for payment of the Issuer's other accrued and unpaid Administrative Expenses are limited as described in "Description of the Securities—Priority of Payments." 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 they may not be able to defend or prosecute legal proceedings that may be brought against them or that they might otherwise bring to protect the interests of the Issuer.

Issuance of Additional Subordinated Notes after the Closing Date May Affect Distributions on the Subordinated Notes. Additional Subordinated Notes may be issued after the Closing Date with the consent of the Collateral Manager and a Majority of the Subordinated Notes (including the Subordinated Notes held by the Collateral Manager and its Affiliates). In that event, the aggregate amount of the payments that must be made on the Subordinated Notes (in order to achieve an Internal Rate of Return of 12%) before the Incentive Management Fee becomes payable to the Collateral Manager will not be increased to reflect the issuance of Additional Subordinated Notes. As a result, a Holder of a Subordinated Note issued after the Closing Date will not receive a 12% Internal Rate of Return before the Incentive Management Fee becomes payable to the Collateral Manager.

Issuance of Additional Notes May have an Adverse Effect on the Priority and Average Lives of the Notes issued on the Closing Date. The Indenture permits the Issuer to issue Additional Notes of the same Classes described herein after the Closing Date. Existing Holders of the Notes will not have the right to approve the issuance of Additional Notes, except that a Majority of the Subordinated Notes, the Collateral Manager on behalf of the Issuer and, if any of the Additional Notes will be senior to, or *pari passu* with, any Notes of the Controlling Class, a Majority of the Controlling Class will have the right to approve the issuance of Additional Notes. If the Issuer issues Additional Notes that are senior to or *pari passu* with an Existing Class issued on the Closing Date, the interest coverage ratio for that Class may decline. The investment by the Issuer of the net proceeds of the sale of Additional Notes may occur during a period in which the available Collateral Debt Securities have lower spreads or lower credit quality than during the Initial Investment Period and, as a result the overall yield and credit quality of the Issuer's portfolio will decline. There can be no assurance that the issuance of Additional Notes will not have an adverse effect on the Issuer's ability to pay principal and interest on the Rated Notes when due and to make distributions on the Subordinated Notes.

DESCRIPTION OF THE SECURITIES

The Securities will be issued pursuant to the Indenture. The following summary describes certain provisions of the Securities and 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.

Status and Security

The Notes will be limited recourse obligations of the Issuer secured as described below, and will rank in priority with respect to each other as described herein. Under the terms of the Indenture, the Issuer will grant to the Trustee a security interest in the Collateral to secure the Issuer's obligations under the Indenture and the Securities. See "Security for the Notes."

Payments on the Notes will be made from the proceeds of the Collateral, in accordance with the Priority of Payments. The aggregate amount that will be available from the Collateral for payment on the Notes and of certain expenses of the Issuer on any Payment Date will be the Interest Proceeds and Principal Proceeds for the applicable Due Period. To the extent these amounts are insufficient to meet payments due in respect of the Notes and expenses following liquidation of the Collateral, the Issuer will have no obligation to pay such deficiency.

Interest

The Rated Notes will bear interest from the Closing Date and such interest will be payable in arrears on each Payment Date. The period from and including the Closing Date to but excluding the first Payment Date and each succeeding period from and including each Payment Date to but excluding the following Payment Date until Stated Maturity (unless the Rated Notes are redeemed earlier) is an "**Interest Accrual Period**."

For purposes of determining any Interest Accrual Period, if any Payment Date is not a Business Day, then the Interest Accrual Period ending on such Payment Date shall be extended to but excluding the date on which payment is made and the succeeding Interest Accrual Period shall begin on and include such date.

The *per annum* interest rate with respect to each Interest Accrual Period will be the rate indicated under "Summary of Terms—Securities Offered."

So long as any more senior Class of Notes is Outstanding, to the extent that funds are not available on any Payment Date to pay the full amount of interest on any Class of the Mezzanine Notes or the Class E Junior Notes, such unpaid interest will not be due and payable on such Payment Date, and will automatically be deferred (the amount of such deferral, if any, the "**Deferred Interest**"). Deferred Interest will bear interest at the applicable Interest Rate until paid. The failure to pay such unpaid interest (or any interest on such interest) on such Payment Date will not be an Event of Default under the Indenture.

Payment of Excess Interest on the Subordinated Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Rated Notes (including Defaulted Interest and Deferred Interest, if any) and other amounts payable in accordance with the Priority

of Payments. So long as any Rated Notes are Outstanding, the Holders of the Subordinated Notes will receive on each Payment Date that portion of the Excess Interest (if any) payable in accordance with the Priority of Payments. The failure to pay any Excess Interest on the Subordinated Notes on any Payment Date will not constitute an Event of Default unless sufficient funds are available therefor in accordance with the Priority of Payments.

If any interest due and payable in respect of the Senior Notes, or if no Senior Notes are Outstanding, the Notes of the most senior Class of Mezzanine Notes then Outstanding, or if no Senior Notes or Mezzanine Notes are then Outstanding, the Class E Junior Notes is not punctually paid or duly provided for on the applicable Payment Date or at the applicable Stated Maturity and such default continues for five Business Days, an Event of Default will occur. To the extent lawful and enforceable, interest on such Defaulted Interest will accrue at a *per annum* rate equal to the applicable Interest Rate, in each case until paid.

Interest for the Floating Rate Notes will be calculated on the basis of the actual number of days elapsed in the applicable Interest Accrual Period divided by 360.

The Issuer has initially appointed the Trustee as calculation agent (the "**Calculation Agent**") for purposes of determining LIBOR for each Interest Accrual Period in accordance with the Indenture. The Calculation Agent will cause the Interest Rate applicable to each Class of Floating Rate Notes, the Interest Accrual Period and the Payment Date to be communicated to Euroclear, Clearstream and the Irish Stock Exchange (as long as any of the Floating Rate Notes are listed thereon) by the LIBOR Business Day immediately following each LIBOR Determination Date. The determination of the Interest Rates by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties (including the Holders of the Securities).

The Issuer will agree that for so long as any Floating Rate Notes remain Outstanding, there will at all times be a Calculation Agent which shall not control, be controlled by or be under common control with either the Issuer or any of its Affiliates or the Collateral Manager or its Affiliates. The Calculation Agent may be removed by the Issuer at any time. If the Calculation Agent is unable or unwilling to act as such or is removed by the Issuer or if the Calculation Agent fails to determine the Interest Rate for any Class of Floating Rate Notes for any Interest Accrual Period, the Issuer will promptly appoint a replacement Calculation Agent that does not control and is not controlled by or under common control with the Issuer, the Collateral Manager or their respective Affiliates.

Principal

The Notes of each Class will mature at par on the Stated Maturity, unless redeemed or repaid prior thereto as described herein. During the Reinvestment Period, principal will be payable on the Notes in the limited circumstances described under "—Optional Redemption and Redemption by Refinancing," "—Mandatory Redemption," and "—Special Redemption." In addition, principal payments on the Rated Notes will be made in accordance with the Priority of Payments if Rating Agency Confirmation is not received from each Rating Agency with respect to the Effective Date, to the extent required to reinstate any affected rating. After the

Reinvestment Period, on each Payment Date principal will be payable on the Rated Notes in accordance with the Priority of Payments.

If a Class E Coverage Test is not satisfied as of any Determination Date, Interest Proceeds (to the extent remaining after the payment in full of the accrued and unpaid interest on the Rated Notes (including Deferred Interest, if any), after application to satisfy any other Coverage Tests and after payment of such other amounts as are required to be paid in accordance with the Priority of Payments) will be applied to pay principal of the Class E Junior Notes to the extent necessary to satisfy such Class E Coverage Test or until the principal of the Class E Junior Notes is paid in full and then Principal Proceeds will be applied to pay principal of the Notes in order of seniority until such Class E Coverage Test is satisfied. See "—Priority of Payments."

Any payments of principal on a Class of Rated Notes will be made by the Trustee on a *pro rata* basis among the Holders of such Class according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment.

At Stated Maturity, the Holders of the Subordinated Notes will receive the remaining Principal Proceeds (if any) payable in accordance with the Priority of Payments after payment in full of the Rated Notes and all administrative and other fees and expenses (including the Collateral Management Fees) in accordance with the Priority of Payments.

Optional Redemption and Redemption by Refinancing

The Classes of Rated Notes will be redeemable by the Issuer on any Payment Date, from Sale Proceeds and all other funds available for such purpose on any Redemption Date, in whole but not in part, at the Redemption Prices (i) at the direction of a Supermajority of the Subordinated Notes, after the Non-Call Period and (ii) at the direction of a Supermajority of the Subordinated Notes or a Supermajority of the Controlling Class, during or after the Non-Call Period in the event of a Tax Event (either such redemption, an "**Optional Redemption**").

The Holders of the Subordinated Notes may direct a redemption of the Rated Notes by directing that the Collateral Manager on behalf of the Issuer liquidate a sufficient amount of the Collateral Debt Securities to pay the Redemption Price of the Rated Notes. The Subordinated Notes shall be redeemed by the Issuer, in whole but not in part, on any Payment Date on or after the date on which all of the Rated Notes have been redeemed or repaid in full, at the direction of a Supermajority of the Subordinated Notes made no later than 30 days prior to such Payment Date (which direction may be given in connection with a direction to conduct a redemption of the Rated Notes or at any time after the Rated Notes have been redeemed or repaid in full). The Redemption Price of each Subordinated Note will be its proportionate share of the proceeds (if any) of the Collateral remaining after payment in full of all amounts senior in priority to the Subordinated Notes under the Priority of Payments (and will be paid *pari passu* with any Incentive Management Fee).

Upon receipt of a notice of an Optional Redemption of the Notes, the Collateral Manager on behalf of the Issuer will direct the sale of all of the Collateral Debt Securities and other Collateral if the Sale Proceeds therefrom and all other funds available for such purpose would be at least sufficient to pay the Redemption Price on all of the Rated Notes and to pay all

administrative and other fees and expenses payable under the Priority of Payments (including, without limitation, any amounts due to any Hedge Counterparties). If the sale proceeds and other available funds would not be sufficient to redeem the Rated Notes and to pay all administrative and other fees and expenses, the Securities may not be redeemed.

No Securities may be redeemed pursuant to an Optional Redemption unless (i) at least 10 Business Days before the scheduled redemption date, the Collateral Manager on behalf of the Issuer shall have furnished to the Trustee evidence that the Collateral Manager on behalf of the Issuer has entered into a binding agreement or agreements with (or guaranteed by) an entity or entities whose short-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a Person other than such institution) have a short-term credit rating from S&P of "A-1" and whose short-term unsecured debt obligations have a credit rating from Moody's of "P-1" (or any other entity that has the benefit of a credit facility, a warehouse agreement, a liquidity facility or a similar arrangement with a financial or other institution or entity that satisfies such criteria and such financial or other institution or entity irrevocably agrees to fund the purchase of all or part of the Collateral Debt Securities and Equity Securities and the assignment or termination of the Hedge Agreements as set forth herein, or any other entity that receives Rating Agency Confirmation) to purchase, not later than the Business Day immediately preceding the scheduled redemption date in immediately available funds, all or part of the Collateral Debt Securities, Equity Securities and/or any Hedge Agreements at a sale price at least equal to an amount sufficient, together with all other funds expected to be available on such redemption date, to pay the sum of the Redemption Prices of the Outstanding Rated Notes and all administrative and other fees and expenses payable under the Priority of Payments, or (ii) prior to selling any Collateral Debt Securities, Equity Securities and/or Eligible Investments, the Collateral Manager shall have certified to the Trustee that, in its judgment, the aggregate sum of (A) expected proceeds from the sale of Eligible Investments and any Hedge Agreements, and (B) for each Collateral Debt Security, the product of the lesser of its Principal Balance and its Market Value multiplied by its Applicable Advance Rate, and all other funds expected to be available on such redemption date, shall exceed the sum of the Redemption Prices of the Outstanding Rated Notes and all administrative and other fees and expenses payable under the Priority of Payments. Any certification delivered as described in this paragraph shall include (1) the prices of, and expected proceeds from, the sale of any Collateral Debt Securities, Equity Securities, Eligible Investments and/or any Hedge Agreements and (2) all calculations required as described in this paragraph.

Notice of redemption or Refinancing shall be given to each Holder of Notes selected for redemption or Refinancing and each Rating Agency. Failure to give notice of redemption or Refinancing to any Holder of any Note selected for redemption or Refinancing or any defect therein shall not impair or affect the validity of the redemption or Refinancing of any other Notes. In addition, for so long as any Securities are listed on the Irish Stock Exchange and so long as the guidelines of such exchange so require, notice of Optional Redemption shall also be given to the Irish Stock Exchange. Physical Notes called for redemption or Refinancing must be surrendered at the place specified in the notice of optional redemption in order for the Holder to receive the Redemption Price or Refinancing Price, as applicable. The initial Paying Agents for the Securities will be the Trustee and, so long as any Securities are listed on the Irish Stock Exchange, Maples Finance Dublin (the "**Irish Paying Agent**"). So long as any Securities are

listed on the Irish Stock Exchange, the listing agent for the Securities will be Maples and Calder Listing Services Limited (the "**Irish Listing Agent**").

The Issuer will have the option to withdraw (i) any notice of redemption up to the fourth Business Day prior to the scheduled redemption date by written notice to the Trustee, the holders of the Notes and the Collateral Manager only if the Collateral Manager is unable to deliver the sale agreement or agreements or certifications as described above or prior to any irrevocable step toward liquidation of the Collateral or (ii) any notice of redemption or Refinancing up to the tenth Business Day prior to the scheduled Redemption Date or Refinancing Date, by written notice to the Trustee, the Collateral Manager and the Rating Agencies only if the Issuer receives written direction to withdraw the notice of such redemption or Refinancing from a Majority of the Subordinated Notes. If any notice of redemption is withdrawn or the Issuer is otherwise unable to complete redemption of the Notes, the proceeds received from the sale of the Collateral in contemplation of such redemption may during the Reinvestment Period, at the Collateral Manager's discretion, be reinvested in accordance with the Investment Criteria.

If a Refinancing does not occur because the Refinancing Obligations were not issued in a sufficient amount to pay the Redemption Price of the Rated Notes, the redemption notice will be deemed to be withdrawn, the Rated Notes will not be due and payable, and the failure to pay the principal of the Rated Notes on the proposed Refinancing Date will not constitute an Event of Default.

Redemption by Refinancing. The Rated Notes may be redeemed in whole, but not in part, on any Payment Date after the Non-Refinancing Period from Refinancing Proceeds at the direction of the Collateral Manager, with the written consent of a Majority of the Subordinated Notes, delivered to the Issuer (with a copy to the Trustee and the Rating Agencies). The Rated Notes will be redeemed by the Issuer on the first or second Payment Date (at the discretion of the Collateral Manager) following receipt of such direction from the Holders of the Subordinated Notes (such Payment Date, the "**Refinancing Date**"). This redemption will be effected by the issuance by the Issuer of a replacement Class or Classes of Notes, the terms of which issuance will be negotiated by the Collateral Manager, on behalf of the Issuer, to one or more purchasers (which may include the Collateral Manager or its Affiliates) selected by the Collateral Manager (a refinancing pursuant to such issuance, a "**Refinancing**"). The Issuer will obtain a Refinancing only if the Collateral Manager determines and certifies to the Trustee, the Issuer and the Collateral Administrator that: (i) the proceeds from the Refinancing (together with Interest Proceeds available in accordance with the Priority of Payments to pay the accrued interest portion of the Refinancing Price) will be at least sufficient to pay the Refinancing Price; (ii) the aggregate principal amount of any obligations ("**Refinancing Obligations**") providing the Refinancing is no greater than the aggregate principal amount of the Rated Notes being redeemed with the proceeds of such obligations plus an amount equal to the Issuer's expenses in connection with the Refinancing; (iii) unless the Holders of 100% of the Aggregate Outstanding Amount of the Subordinated Notes consent to a different stated maturity, the stated maturity of the obligations providing the Refinancing shall be the same as the Stated Maturity, (iv) the Collateral Manager will have certified to the Trustee that the weighted average spread over LIBOR (weighted based on principal amount) of such obligations will not exceed the weighted average spread, of the Rated Notes being refinanced; (v) the Refinancing Proceeds will be used (to the extent necessary) to redeem the Rated Notes in whole; (vi) the agreements relating to the

Refinancing contain limited-recourse and non-petition provisions equivalent to those applicable to the Rated Notes being redeemed, as set forth in the Indenture; and (vii) the expenses in connection with the Refinancing have been paid or will be adequately provided for from the proceeds of the Refinancing. Any Refinancing Proceeds will not constitute Interest Proceeds or Principal Proceeds but will be applied directly on the related Refinancing Date pursuant to the Indenture to redeem the Rated Notes being refinanced and to pay the Issuer's and the Trustee's expenses in connection with the Refinancing without regard to the Priority of Payments; *provided*, that to the extent that any Refinancing Proceeds are not applied to redeem the Rated Notes being refinanced or to pay the Issuer's expenses in connection with the Refinancing, such Refinancing Proceeds will be treated as Principal Proceeds.

Any notice of a Refinancing will be withdrawn by the Collateral Manager, on behalf of the Issuer, (i) on or prior to the fourth Business Day prior to the scheduled Refinancing Date by written notice to the Trustee, the Collateral Administrator and the Rating Agencies if the Collateral Manager is unable to deliver the certifications described in the preceding paragraph or (ii) on or prior to the 10th Business Day prior to the scheduled Refinancing Date by written notice to the Trustee, the Collateral Administrator, the Collateral Manager and the Rating Agencies if the Issuer receives written direction to withdraw the notice of such Refinancing from a Supermajority of the Subordinated Notes. If a Refinancing does not occur because the Refinancing Obligations were not issued in a sufficient amount to pay the Redemption Price of the Rated Notes, the redemption notice will be deemed to be withdrawn, the Rated Notes will not be due and payable, and the failure to pay the principal of the Rated Notes on the proposed Refinancing Date will not constitute an Event of Default. Upon receipt of such notice of withdrawal, the Trustee shall send such notice to the Securityholders and, if applicable, the Irish Paying Agent.

For the avoidance of doubt, if any notes are issued as all or a portion of the Refinancing Obligations, the Issuer may, but is not obligated to, request the Rating Agencies to assign ratings to such notes, but such notes will not automatically be assigned the ratings of the Class or Classes of Rated Notes that were refinanced.

"Refinancing Price" means, with respect to any Class of Rated Notes, the Redemption Price thereof.

"Refinancing Proceeds" means the proceeds from any Refinancing permitted under the Indenture.

Mandatory Redemption

On any Payment Date on which a Coverage Test was not satisfied on the immediately preceding Determination Date or if there is a Rating Confirmation Failure, principal payments on the Rated Notes will be made in accordance with the Priority of Payments.

A payment of principal on the Rated Notes pursuant to the Priority of Payments as a result of a Rating Confirmation Failure or the failure of the Issuer to satisfy a Coverage Test is a **"Mandatory Redemption."**

Special Redemption

Principal payments on the Rated Notes shall be made in accordance with the Priority of Payments if, at any time during the Reinvestment Period, the Collateral Manager at its discretion elects (on behalf of the Issuer) to notify the Trustee that it has been unable (using commercially reasonable efforts) to identify additional Collateral Debt Securities that are deemed appropriate by the Collateral Manager in its sole discretion and which after purchase would meet the criteria for reinvestment in sufficient amounts to permit the investment or reinvestment of all or a portion of the funds then in the Collection Account that are to be invested in additional Collateral Debt Securities (a "**Special Redemption**"). On the first Payment Date following the Due Period in which such notice is given (a "**Special Redemption Date**"), the funds representing Principal Proceeds which cannot be reinvested in additional Collateral Debt Securities, as applicable (the "**Special Redemption Amount**") will be available to be applied in accordance with the Priority of Payments. The Collateral Manager will give notice of any Special Redemption to the Holders of the Subordinated Notes.

Entitlement to Payments

Payments in respect of a Security will be made to the Holder 15 days (whether or not a Business Day) prior to the applicable Payment Date (the "**Record Date**"). Payments will be made in U.S. Dollars by wire transfer, as directed by the Holder, in immediately available funds to such Holder (which in the case of Global Securities, will be DTC) so long as wiring instructions have been provided to the Trustee and, if such payment is to be made by a Paying Agent (other than the Irish Paying Agent), each Paying Agent, on or before the related Record Date. If appropriate instructions for any such wire transfer are not received by the related Record Date, then such payment shall be made by check drawn on a U.S. bank mailed to such Holder at its address in the register maintained by the Trustee under the Indenture. Final payments in respect of Physical Securities will be made only against surrender of the applicable Securities at the corporate trust office of the Trustee or Paying Agent of the Issuer.

Payments in respect of any Global Securities will be made to DTC or its nominee, as the registered owner thereof. None of the Issuer, the Collateral Manager, the Trustee, the Collateral Administrator nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Securities or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests. The Issuer expects that DTC or its nominee, upon receipt of any payment in respect of a Global Security, will immediately credit participants' accounts (through which, in the case of Regulation S Global Securities, Euroclear and Clearstream hold their respective interests) with payments in amounts proportionate to their respective beneficial interests in the stated original principal amount of the applicable Class of Notes, as shown on the records of DTC or its nominee. The Issuer also expects that payments by participants to owners of beneficial interests in a Global Security held through the 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 names of nominees for the customers. The payments will be the responsibility of the participants.

Any funds deposited with the Trustee or any Paying Agent in trust for payment remaining unclaimed for two years after such amounts have become due and payable shall be paid to the Issuer pursuant to the Indenture; and each Holder of a Security shall thereafter, as an unsecured general creditor, look only to the Issuer, for payment of such amounts and all liability of the Trustee and any Paying Agent with respect to such trust funds shall thereupon cease.

Priority of Payments

On each Payment Date, Interest Proceeds and Principal Proceeds will be distributed and, to the extent specified below in the order of priority set forth below.

Interest. On each Payment Date, Interest Proceeds (other than Interest Proceeds previously reinvested in accordance with the Indenture) will be applied in the following order of priority (the "**Priority of Interest Payments**"):

- A. to the payment of taxes and governmental fees owing by the Issuer, if any;
- B. to the payment of the accrued and unpaid Administrative Expenses in accordance with the Administrative Expense Payment Sequence; *provided, however*, that such payments pursuant to this subclause B. on any Payment Date (together with the payments pursuant to this subclause B. on the three immediately preceding Payment Dates) shall not exceed the sum of (x) 0.065% of the Principal Collateral Value (measured as of the beginning of the Due Period preceding such Payment Date) and (y) U.S.\$122,000;
- C. to the payment of the Hedge Payment Amount;
- D. to the payment, on a *pari passu* basis of (1) any accrued and unpaid Senior Collateral Management Fee to the Collateral Manager and (2) any accrued and unpaid Senior Deferred Structuring Fee to the Placement Agent;
- E. to the payment, on a *pari passu* basis of (1) accrued and unpaid interest on the Class A Senior Notes, (2) all amounts due to any Hedge Counterparty with respect to termination (or partial termination) of any Hedge Agreement other than Subordinated Hedge Termination Payments, and (3) all amounts due to any Synthetic Security Counterparty with respect to termination (or partial termination) of any Unfunded Synthetic Security other than Subordinated Synthetic Security Termination Payments (but only to the extent such amount is not paid from the Synthetic Security Reserve Account), *pro rata* to the amounts due to each Holder, Hedge Counterparty or Synthetic Security Counterparty, as applicable, under clauses (1), (2) and (3);
- F. to the payment of accrued and unpaid interest on the Class B Senior Notes;
- G. if either Class A/B Coverage Test is not satisfied as of the related Determination Date, to pay principal of, *first*, the Class A Senior Notes, to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class A Senior Notes is reduced to zero)

and *second*, the Class B Senior Notes, to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class B Senior Notes is reduced to zero); *provided* that the Class A/B Interest Coverage Test shall not be applicable on the first Payment Date;

- H. to the payment of (1) *first*, accrued and unpaid interest on the Class C Mezzanine Notes; and (2) *second*, any Class C Mezzanine Deferred Interest (and interest thereon);
- I. if either Class C Coverage Test is not satisfied as of the related Determination Date, to pay principal of, *first*, the Class A Senior Notes, to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class A Senior Notes is reduced to zero) and, *second*, the Class B Senior Notes, to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class B Senior Notes is reduced to zero) and, *third*, the Class C Mezzanine Notes to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class C Mezzanine Notes is reduced to zero), including any Class C Mezzanine Deferred Interest (and interest thereon); *provided* that the Class C Interest Coverage Test shall not be applicable on the first Payment Date;
- J. to the payment of (i) *first*, accrued and unpaid interest on the Class D Mezzanine Notes and (ii) *second*, any Class D Mezzanine Deferred Interest (and interest thereon);
- K. if either Class D Coverage Test is not satisfied as of the related Determination Date, to pay principal of, *first*, the Class A Senior Notes, to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class A Senior Notes is reduced to zero) and, *second*, the Class B Senior Notes, to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class B Senior Notes is reduced to zero) and, *third*, the Class C Mezzanine Notes to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class C Mezzanine Notes is reduced to zero) and, *fourth*, the Class D Mezzanine Notes to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class D Mezzanine Notes is reduced to zero); *provided* that the Class D Interest Coverage Test shall not be applicable on the first Payment Date;
- L. to the payment of (i) *first*, accrued and unpaid interest on the Class E Junior Notes and (ii) *second*, any Class E Junior Deferred Interest (and interest thereon);
- M. if either Class E Coverage Test is not satisfied as of the related Determination Date, to pay principal of the Class E Junior Notes, to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate

Outstanding Amount of the Class E Junior Notes is reduced to zero); *provided* that the Class E Interest Coverage Test shall not be applicable on the first Payment Date;

- N. if there is a Rating Confirmation Failure, then on the Rating Confirmation Failure Payment Date and each subsequent Payment Date on which the Rating Confirmation Failure continues, to pay principal of, *first*, the Class A Senior Notes, until such rating is reinstated (or, if sooner, until the Aggregate Outstanding Amount of the Class A Senior Notes is reduced to zero) and, *second*, the Class B Senior Notes until such rating is reinstated (or, if sooner, until the Aggregate Outstanding Amount of the Class B Senior Notes is reduced to zero) and, *third*, to pay the principal of the Class C Mezzanine Notes until such rating is reinstated (or, if sooner, until the Aggregate Outstanding Amount of the Class C Mezzanine Notes is reduced to zero) and, *fourth*, to pay principal of the Class D Mezzanine Notes until such rating is reinstated (or, if sooner, until the Aggregate Outstanding Amount of the Class D Mezzanine Notes is reduced to zero) and, *fifth*, to pay principal of the Class E Junior Notes until such rating is reinstated (or, if sooner, until the Aggregate Outstanding Amount of the Class E Junior Notes is reduced to zero);
- O. to the payment to (1) the Collateral Manager of any accrued and unpaid Subordinated Collateral Management Fee due on such Payment Date *minus* the amount of any Current Deferred Management Fee, if any, and then (2) the Payment Account to be applied on the same Payment Date as Interest Proceeds or, at the option of the Collateral Manager, Principal Proceeds, any Current Deferred Management Fee, and then (3) the Collateral Manager, any Cumulative Deferred Management Fee, at the election of the Collateral Manager;
- P. if the Interest Reinvestment Test is not satisfied as of the related Determination Date, to the Collection Account as Principal Proceeds for the purchase of additional Collateral Debt Securities in an amount equal to the lesser of 60% of the remaining Interest Proceeds or an amount necessary to cause the Interest Reinvestment Test to be satisfied as of the related Determination Date;
- Q. the payment of *first*, any accrued and unpaid Administrative Expenses, to the extent not paid pursuant to clause B. above in accordance with the Administrative Expense Payment Sequence and, *second*, on a *pari passu* basis, any Subordinated Hedge Termination Payments and any Subordinated Synthetic Security Termination Payments, *pro rata* in accordance with the amounts due to each Hedge Counterparty or Synthetic Security Counterparty, as applicable;
- R. until the amount of all payments on the Subordinated Notes issued on the Closing Date has achieved an Internal Rate of Return of 12% for the period from the Closing Date to and including such Payment Date, to the Holders of the Subordinated Notes; and

- S. if the amount of all payments on the Subordinated Notes issued on the Closing Date has achieved an Internal Rate of Return of 12% for the period from the Closing Date to and including such Payment Date, *pari passu* (i) 80% to the Holders of Subordinated Notes and (ii) 20% to the Collateral Manager as the Incentive Management Fee.

Principal. On each Payment Date, Principal Proceeds (and any Interest Proceeds to be applied as Principal Proceeds on such Payment Date) will be applied in the following order of priority (the "**Priority of Principal Payments**"); *provided* that any Interest Proceeds to be applied as Principal Proceeds pursuant to clause P. of the Interest Priority of Payments shall be applied pursuant to clause E. or F. below:

- A. to the payment of the amounts referred to in clauses A. through F. of the Priority of Interest Payments in the same manner and order of priority and subject to any applicable cap set forth therein, but only to the extent not paid in full thereunder;
- B. if any Coverage Test is not satisfied as of the related Determination Date after giving effect to the application of Interest Proceeds pursuant to the Priority of Interest Payments and clause A. of the Priority of Principal Payments on such Payment Date, to pay principal of, *first*, the Class A Senior Notes, to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class A Senior Notes is reduced to zero) and, *second*, the Class B Senior Notes, to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class B Senior Notes is reduced to zero) and, *third*, the Class C Mezzanine Notes to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class C Mezzanine Notes is reduced to zero), including any Class C Mezzanine Deferred Interest (and interest thereon) and, *fourth*, the Class D Mezzanine Notes to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class D Mezzanine Notes is reduced to zero), including any Class D Mezzanine Deferred Interest (and interest thereon); and, *fifth*, the Class E Junior Notes to the extent required to satisfy such test as of the related Determination Date (or, if sooner, until the Aggregate Outstanding Amount of the Class E Junior Notes is reduced to zero), including any Class E Junior Deferred Interest (and interest thereon); *provided* that the Class A/B Interest Coverage Test, the Class C Interest Coverage Test, the Class D Interest Coverage Test and the Class E Interest Coverage Test shall not be applicable on the first Payment Date;
- C. if a Special Redemption is directed by the Collateral Manager (on behalf of the Issuer), an amount equal to the Special Redemption Amount to pay principal of, *first*, the Class A Senior Notes, until the Aggregate Outstanding Amount of the Class A Senior Notes is reduced to zero, and, *second*, the Class B Senior Notes until the Aggregate Outstanding Amount of the Class B Senior Notes is reduced to zero, and, *third*, the Class C Mezzanine Notes until the Aggregate Outstanding Amount of the Class C Mezzanine Notes is reduced to zero, including any Class

C Mezzanine Deferred Interest (and interest thereon), and *fourth*, the Class D Mezzanine Notes until the Aggregate Outstanding Amount of the Class D Mezzanine Notes is reduced to zero, including any Class D Mezzanine Deferred Interest (and interest thereon), and *fifth*, the Class E Junior Notes until the Aggregate Outstanding Amount of the Class E Junior Notes is reduced to zero, including any Class E Junior Deferred Interest (and interest thereon);

- D. if there is a Rating Confirmation Failure, after giving effect to the application of Interest Proceeds pursuant to the Priority of Interest Payments and clauses A. through C. of the Priority of Principal Payments on the Rating Confirmation Failure Payment Date and each subsequent Payment Date on which the Rating Confirmation Failure continues, then on such Payment Date, to pay principal of, *first*, the Class A Senior Notes, until such rating is reinstated (or, if sooner, until the Aggregate Outstanding Amount of the Class A Senior Notes is reduced to zero) and, *second*, the Class B Senior Notes until such rating is reinstated (or, if sooner, until the Aggregate Outstanding Amount of the Class B Senior Notes is reduced to zero) and, *third*, to pay the principal (and Deferred Interest, if any) of the Class C Mezzanine Notes until such rating is reinstated (or, if sooner, until the Aggregate Outstanding Amount of the Class C Mezzanine Notes is reduced to zero) and, *fourth*, to pay the principal (and Deferred Interest, if any) of the Class D Mezzanine Notes until such rating is reinstated (or, if sooner, until the Aggregate Outstanding Amount of the Class D Mezzanine Notes is reduced to zero) and, *fifth*, to pay principal (and Deferred Interest, if any) of the Class E Junior Notes until such rating is reinstated (or, if sooner, until the Aggregate Outstanding Amount of the Class E Junior Notes is reduced to zero);
- E. during the Reinvestment Period only to the Collection Account to invest in Collateral Debt Securities at a later date;
- F. after the Reinvestment Period (i) to the extent of the Principal Proceeds consisting of Credit Improved Securities, the Interest Reinvestment Test Diversion Amount or Prepaid Collateral Debt Securities, to the purchase of Collateral Debt Securities or to the Collection Account for investment in Collateral Debt Securities at a later date in accordance with the Investment Criteria, in each case at the option of the Collateral Manager, and (ii) to the extent of all other Principal Proceeds (and to any portion of the Principal Proceeds of Credit Improved Securities or Prepaid Collateral Debt Securities which the Collateral Manager does not elect to apply under clause (i)) to pay principal of, *first*, the Class A Senior Notes, until the Aggregate Outstanding Amount of the Class A Senior Notes is reduced to zero, and, *second*, the Class B Senior Notes until the Aggregate Outstanding Amount of the Class B Senior Notes is reduced to zero, and, *third*, the Class C Mezzanine Notes until the Aggregate Outstanding Amount of the Class C Mezzanine Notes is reduced to zero (including any Deferred Interest (and interest thereon)), and, *fourth*, the Class D Mezzanine Notes until the Aggregate Outstanding Amount of the Class D Mezzanine Notes is reduced to zero (including any Deferred Interest (and interest thereon)), and, *fifth*, the Class E Junior Notes until the Aggregate

Outstanding Amount of the Class E Junior Notes is reduced to zero (including any Deferred Interest (and interest thereon));

- G. to the extent not paid pursuant to the Priority of Interest Payments, to the payment to (1) the Collateral Manager of any accrued and unpaid Subordinated Collateral Management Fee due on such Payment Date *minus* the amount of any Current Deferred Management Fee, if any, and then (2) the Collection Account as Interest Proceeds or, at the option of the Collateral Manager, Principal Proceeds, any Current Deferred Management Fee, and then (3) the Collateral Manager, any Cumulative Deferred Management Fee, at the election of the Collateral Manager;
- H. to the payment of *first*, any accrued and unpaid Administrative Expenses, to the extent not paid pursuant to clause A. above, in accordance with the Administrative Expense Payment Sequence and, *second*, on a *pari passu* basis, any Subordinated Hedge Termination Payments and any Subordinated Synthetic Security Termination Payments, *pro rata* in accordance with the amounts due to each Hedge Counterparty or Synthetic Security Counterparty, as applicable;
- I. after giving effect to payments made pursuant to the Priority of Interest Payments, until the amount of all payments on the Subordinated Notes issued on the Closing Date has achieved an Internal Rate of Return of 12% for the period from the Closing Date to and including such Payment Date, to the Holders of the Subordinated Notes; and
- J. if the amount of all payments on the Subordinated Notes issued on the Closing Date has achieved an Internal Rate of Return of 12% for the period from the Closing Date to and including such Payment Date, *pari passu* (i) 80% to the Holders of Subordinated Notes and (ii) 20% to the Collateral Manager as the Incentive Management Fee.

For purposes of determining whether a Coverage Test, the Class A Overcollateralization Ratio or the Interest Reinvestment Test is satisfied on a Determination Date, if a payment of principal on any Class of Notes is to be made at the same level or a more senior level in the Priority of Payments, then the related test or ratio shall be calculated on a *pro forma* basis, giving effect to all such payments made or to be made on the related Payment Date.

Liquidation Priority of Payments. At the Maturity of the Securities, Interest Proceeds and Principal Proceeds will be distributed in the following order of priority (the "**Liquidation Priority of Payments**"):

- A. to the payment of the Issuer's obligations, if any, under any Revolving Collateral Debt Securities, Delayed Drawdown Debt Securities and Unfunded Synthetic Securities after applying all funds in the Revolver Funding Account or the Synthetic Security Reserve Account (or, in the case of any Revolving Collateral Debt Securities, Delayed Drawdown Debt Securities and Synthetic Securities that cannot be sold or terminated, to the Revolver Funding Account or the Synthetic Security Reserve Account, as applicable, to the extent required to meet the

Issuer's obligations in connection therewith) excluding amounts payable with respect to Subordinated Synthetic Security Termination Payments;

- B. to the payment of the accrued and unpaid amounts set forth in clauses A. and B. of the Priority of Interest Payments in the order and priority and subject to any cap set forth therein;
- C. to the payment of all amounts due to any Hedge Counterparty with respect to termination (or partial termination) of any Hedge Agreement other than Subordinated Hedge Termination Payments, *pro rata* to the amounts due to each Hedge Counterparty;
- D. to the payment, on a *pari passu* basis of (a) any accrued and unpaid Senior Collateral Management Fee to the Collateral Manager and (b) any accrued but unpaid Senior Deferred Structuring Fee and the Structuring Fee Make Whole Amount to the Placement Agent;
- E. *first* to the payment of accrued and unpaid interest on the Class A Senior Notes and, *second* to the payment of principal of the Class A Senior Notes until the Aggregate Outstanding Amount of the Class A Senior Notes is reduced to zero;
- F. *first* to the payment of accrued and unpaid interest on the Class B Senior Notes and *second* to the payment of principal of the Class B Senior Notes until the Aggregate Outstanding Amount of the Class B Senior Notes is reduced to zero;
- G. *first* to the payment of (1) accrued and unpaid interest on the Class C Mezzanine Notes; and (2) any Class C Mezzanine Deferred Interest (and interest thereon) and *second* to the payment of principal of the Class C Mezzanine Notes until the Aggregate Outstanding Amount of the Class C Mezzanine Notes is reduced to zero (including any Deferred Interest (and interest thereon));
- H. *first* to the payment of (1) accrued and unpaid interest on the Class D Mezzanine Notes and (2) any Class D Mezzanine Deferred Interest (and interest thereon) and *second* to the payment of principal of the Class D Mezzanine Notes until the Aggregate Outstanding Amount of the Class D Mezzanine Notes is reduced to zero (including any Deferred Interest (and interest thereon));
- I. (i) *first* to the payment of (1) accrued and unpaid interest on the Class E Junior Notes and (2) any Class E Junior Deferred Interest (and interest thereon) and *second* to the payment of principal of the Class E Junior Notes until the Aggregate Outstanding Amount of the Class E Junior Notes is reduced to zero (including any Deferred Interest (and interest thereon));
- J. to pay the Collateral Manager any accrued and unpaid Subordinated Collateral Management Fee due on such Payment Date and any Cumulative Deferred Management Fee;

- K. to the payment of *first*, any accrued and unpaid Administrative Expenses, to the extent not paid pursuant to clause B. above, in accordance with the Administrative Expense Payment Sequence and *second*, on a *pari passu* basis, any Subordinated Hedge Termination Payments and any Subordinated Synthetic Security Termination Payments, *pro rata* in accordance with the amounts due to each Hedge Counterparty or Synthetic Security Counterparty, as applicable;
- L. until the amount of all payments on the Subordinated Notes issued on the Closing Date has achieved an Internal Rate of Return of 12% for the period from the Closing Date to and including such Payment Date, to the Holders of the Subordinated Notes; and
- M. if the amount of all payments on the Subordinated Notes issued on the Closing Date has achieved an Internal Rate of Return of 12% for the period from the Closing Date to and including such Payment Date, *pari passu* (i) 80% to the Holders of Subordinated Notes and (ii) 20% to the Collateral Manager as the Incentive Management Fee.

No distributions from Principal Proceeds will be made on the Subordinated Notes until the Stated Maturity or on any earlier date that the Rated Notes are redeemed at the Redemption Price thereof or on any Payment Date on which no Rated Notes are Outstanding.

For the avoidance of doubt, all amounts payable to a Synthetic Security Counterparty with respect to the termination of an Unfunded Synthetic Security (other than Subordinated Synthetic Security Termination Payments) will be paid *first* from funds on deposit in the Synthetic Security Reserve Account and *second*, to the extent such amounts remain unpaid, from the Collection Account.

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 in the payment of any interest on any Senior Note or on any Note of the Controlling Class (other than the Subordinated Notes) when the same becomes due and payable, which default continues for a period of five Business Days;
- (b) a default in the payment of any principal amount when the same becomes due and payable, on any Class of Rated Notes at Stated Maturity or the Redemption Date;
- (c) the failure on any Payment Date to disburse amounts then available for disbursement in the Payment Account in accordance with the Priority of Payments and continuation of such failure for a period of five Business Days after notice is given in accordance with the Indenture;

(d) on any date of determination after the Effective Date, failure to maintain a Class A Overcollateralization Ratio equal to at least 100%;

(e) the Issuer or the pool of Collateral becomes an investment company required to be registered under the Investment Company Act;

(f) except as otherwise provided in this definition of "Event of Default," a default in the material performance, or material breach, of any other covenant or other agreement of the Issuer in the Indenture (other than the failure to meet the Portfolio Profile Test, the Collateral Quality Tests, the Interest Reinvestment Test or the Coverage Tests), or the failure of any representation or warranty of the Issuer made in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith to be correct in all material respects when the same shall have been made, and the continuation of such default, breach or failure for a period of 30 days after notice is given in accordance with the Indenture;

(g) the entry of a decree or order by a court having competent jurisdiction adjudging the Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer under the applicable bankruptcy law or any other applicable law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of the Issuer or of any substantial part of its property, respectively, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(h) the institution by the Issuer of Proceedings to have the Issuer adjudicated as bankrupt or insolvent, or the consent or resolution by the shareholders of the Issuer to the institution of bankruptcy or insolvency Proceedings against the Issuer, or the filing or presentation by the Issuer of a petition for its own winding up or any other petition, answer or consent seeking reorganization, or relief under the applicable bankruptcy law or any other similar applicable law, or the consent by the Issuer to the filing or presentation of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or of any substantial part of its property, respectively, or the making by the Issuer of an assignment for the benefit of creditors, or the admission by the Issuer in writing of its inability to pay its debts generally as they become due.

If an Event of Default occurs and is continuing (other than an Event of Default specified in clause (g) or (h) above), the Trustee may, with the prior written consent of a Majority of the Controlling Class, and shall, upon the written direction of a Majority of the Controlling Class, by notice to the Issuer, declare the principal of all the Notes to be immediately due and payable, and upon any such declaration such principal, together with all accrued and unpaid interest thereon, and other amounts payable under the Indenture, shall become immediately due and payable in accordance with the Indenture. If an Event of Default specified in clause (g) or (h) above occurs, all unpaid principal of all the Notes, together with all accrued and unpaid interest thereon, and other amounts payable under the Indenture, shall automatically become immediately due and payable in accordance with the Indenture. Any Hedge Agreement existing at the time of an acceleration of maturity pursuant to the Indenture may not be terminated by voluntary action of

the Issuer unless and until liquidation of the Collateral has commenced and any annulment or rescission of such acceleration is no longer possible under the Indenture.

Notwithstanding anything to the contrary herein, if an Event of Default has occurred and is continuing, the Trustee will not sell or liquidate the Collateral, will collect and will cause the collection of the proceeds thereof and make and apply all payments and deposits and maintain all accounts in respect of the Collateral and the Notes in accordance with the Indenture unless (i) the Trustee determines that the anticipated proceeds of a sale or liquidation of the Collateral (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to discharge in full the amounts then due and unpaid on the Notes for principal and interest (including Deferred Interest), any amounts payable to any Hedge Counterparty (other than Subordinated Hedge Termination Payment) and any unpaid Administrative Expenses permitted under the Indenture to be paid in such circumstances and a Majority of the Controlling Class agrees with such determination; or (ii) a Majority of the Notes of each Class directs, subject to the provisions of the Indenture, such sale and liquidation; or (iii) in the case of an Event of Default specified in clause (a) of the definition of "Event of Default" or if the Event of Default specified in clause (b) of the definition of "Event of Default" occurs with respect to any Senior Note, or in the case of an Event of Default specified in clause (d) of the definition of "Event of Default", a Majority of the Controlling Class directs, subject to the provisions of the Indenture, such sale and liquidation.

Notwithstanding anything to the contrary herein, a Majority of the Controlling Class will have the right following the occurrence, and during the continuance of, an Event of Default to cause the institution of and direct the time, method and place of conducting any proceeding for any remedy available to the Trustee; *provided* that (a) such direction shall not conflict with any rule of law or with any express provision of the Indenture, (b) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction; *provided, however,* that, subject to certain provisions of the Indenture, the Trustee need not take any action that it determines might involve it in liability (unless the Trustee has been provided with indemnity reasonably satisfactory to it), and (c) notwithstanding the foregoing, any direction to the Trustee to undertake a sale of Collateral may be given only in accordance with the preceding paragraph and the applicable provisions of the Indenture.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee will be under no obligation to exercise or to honor any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders of Securities pursuant to the Indenture, unless such Holders of Securities will have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities which might reasonably be incurred by it in compliance with such request or direction. Prior to the time a judgment or decree for payment of the money due has been obtained by the Trustee, as provided in the Indenture, a Majority of the Controlling Class may waive any past Default and its consequences, except a Default (i) in the payment of the principal of any Note or in the payment of interest on the Notes of the Controlling Class; (ii) in respect of a covenant or provision of the Indenture that cannot be modified or amended without the waiver or consent of the Holder of each Outstanding Note adversely affected thereby; or (iii) relating to an insolvency event.

No Holder of a Security will have the right to institute any proceedings, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any

other remedy under the Indenture, unless (i) such Holder previously has given to the Trustee written notice of an Event of Default, (ii) the Holders of not less than 25% of the Aggregate Outstanding Amount of the Notes of the Controlling Class have made a written request upon the Trustee to institute such proceedings in respect of such Event of Default in its own name as Trustee and such Holders have offered the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (iii) the Trustee for 30 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding and (iv) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by a Majority of the Controlling Class; it being understood and intended that no one or more Holders of Notes will have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Holders of Notes of the same Class or to obtain or to seek to obtain priority or preference over any other Holders of the Notes of the same Class or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all the Holders of Notes of the same Class subject to and in accordance with the Indenture and the Priority of Payments.

Notices. Notices to the Holders of the Securities shall be sufficient if given by first class mail, postage prepaid, to Holders at each such Holder's address appearing in the register maintained under the Indenture. In addition, for so long as one or more Classes of Securities are listed on the Irish Stock Exchange and so long as the guidelines of such exchange so require, notices to the Holders of such Securities shall also be given by publication.

Modification of Indenture.

Upon obtaining Rating Agency Confirmation, the Issuer and the Trustee together, but not individually, may without obtaining the consent of the Holders of the Securities, enter into one or more supplemental indentures (x) if such supplemental indenture would have no material adverse effect on any Class of Securities or (y) for any of the following purposes:

(a) to evidence the succession of another Person to the Issuer and the related assumption of obligations by such successor;

(b) to add to the covenants of the Issuer or the Trustee for the benefit of the Holders of the Securities or to surrender any right or power conferred by the Indenture on the Issuer;

(c) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee, or add to the conditions, limitations or restrictions on the authorized amount, terms and purposes of the issue, authentication and delivery of the Securities;

(d) to evidence and provide for the acceptance of appointment by a successor Trustee and to add to or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the trusts under the Indenture by more than one trustee;

(e) with the consent of a Majority of the Controlling Class, at any time within the Reinvestment Period, (1) to provide for and/or facilitate (1) the issuance of Additional Notes to the extent permitted by the Indenture, (2) to extend to such Additional Notes, the benefits and

provisions of the Indenture, to the extent applicable thereunder and (3) to make such changes as shall be necessary to permit the Issuer to issue Additional Notes;

(f) to improve the Trustee's security interest in the Collateral or to more fully reflect the Trustee's title in any Collateral;

(g) to reduce the permitted Authorized Denominations;

(h) to take any action necessary or advisable to prevent the Issuer or the Trustee from being subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a United States trade or business or otherwise being subjected to United States Federal, state or local income tax on a net income tax basis (including the delisting of any of the Securities from any exchange);

(i) to take any action necessary or advisable to prevent the Issuer or the pool of Collateral from being required to register under the Investment Company Act;

(j) with the consent of a Majority of the Controlling Class, to enter into any additional agreements not expressly prohibited by the Indenture as well as any amendment, modification or waiver if the Issuer (or the Collateral Manager on behalf of the Issuer) determines that such additional agreement, amendment, modification or waiver would not, upon or after becoming effective, materially and adversely affect the rights or interests of Holders of any Class of Securities;

(k) subject to continued exemption from registration of the Securities under the Securities Act and of the Issuer under the Investment Company Act, to make such changes as shall be necessary or advisable in order for the Securities to be listed on an exchange, including the Irish Stock Exchange or to effect the delisting of any Securities;

(l) to amend, modify or otherwise accommodate changes to certain provisions of the Indenture relating to the administrative procedures for Rating Agency Confirmation (*provided*, that for the avoidance of doubt, such provisions shall not alter the circumstances under which Rating Agency Confirmation is required);

(m) with the consent of a Majority of the Controlling Class, to modify certain sections of the Indenture to conform with applicable law;

(n) otherwise to correct any ambiguities, errors or inconsistencies in the Indenture or between any provision of the Indenture and this Offering Memorandum;

(o) with the consent of a Majority of the Controlling Class, to modify: (i) the Weighted Average Life Test or the Weighted Average Coupon Test; (ii) the S&P Minimum Weighted Average Recovery Rate Test, the S&P CDO Monitor Test, the S&P Minimum Weighted Average Spread Test, the S&P Rating, the S&P Derived Rating or the S&P Recovery Rate (or any reference in the Indenture to such a rating or recovery rate); or (iii) the Moody's Maximum Weighted Average Rating Factor Test, the Moody's Minimum Weighted Average Recovery Rate Test, the Moody's Weighted Average Spread Test, the Moody's Diversity Test, the Moody's Rating, the Moody's Default Probability Rating, the Moody's Derived rating or the

Moody's Recovery Rate (or any reference in the Indenture to such a rating or recovery rate) (including any definitions to the extent (and only to the extent) such definitions impact any test referred to in clause (i), (ii) or (iii)); *provided, however*, that with respect to subclause (iii) Rating Agency Confirmation from S&P shall not be required and with respect to subclause (ii) Rating Agency Confirmation from Moody's shall not be required;

(p) with the consent of a Majority of the Controlling Class, to evidence any waiver by any Rating Agency as to any requirement or condition, as applicable, of such Rating Agency set forth in the Indenture which waiver is specifically evidenced in a written document from such Rating Agency;

(q) to modify the restrictions on and procedures for resale and other transfer of the Securities in accordance with any change in any applicable law or regulation (or the interpretation thereof) or to enable the Issuer 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;

(r) to accommodate the issuance of the Securities in book-entry form through the facilities of DTC or otherwise; or

(s) to accommodate a Refinancing.

With the consent of a Majority of any Class of Securities materially and adversely affected thereby and upon obtaining Rating Agency Confirmation, the Trustee and Issuer may enter into one or more supplemental 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 Holders of the Securities of such Class under the Indenture; *provided, however* that the Indenture permits the Issuer and the Trustee to enter into supplemental indentures that would materially change the terms of the Securities only with the consent of each Holder of the Class adversely affected thereby. Some examples of changes that can be made to the terms of the Securities only with the consent of 100% of the Class include:

(a) change the Stated Maturity of the Securities or the due date of any installment of interest on the Securities; reduce the principal amount thereof or the Interest Rate (if any) thereon; or the Redemption Price, with respect thereto; change to an earlier date the earliest date on which any Notes may be optionally redeemed; except pursuant to an Issuance Supplemental Indenture, change the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal, interest, Excess Interest or other amounts with respect to Notes; change the country where, or the coin or currency in which, any Security or the principal thereof or interest thereon is payable; or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption or payment of the related dividend, on or after the applicable Redemption Date);

(b) reduce the percentage of the Aggregate Outstanding Amount or number of Holders of Securities of each Class whose consent is required for the authorization of any such supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain Defaults thereunder or their consequences provided for in the Indenture;

(c) materially impair or materially and adversely affect the Collateral except as otherwise permitted in the Indenture;

(d) except as permitted by the Indenture, permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any part of the Collateral, other than Synthetic Security Collateral, or terminate such lien on any property at any time subject hereto or deprive any secured party of the security afforded by the lien of the Indenture;

(e) reduce the percentage of the Aggregate Outstanding Amount of Holders of Notes of each Class whose consent is required to request the Trustee to preserve the Collateral or rescind the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Indenture;

(f) modify any of the provisions of the Indenture relating to when Securityholder consent is needed to amend the Indenture, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security adversely affected thereby;

(g) modify the definition of the term "Outstanding" or, except pursuant to an Issuance Supplemental Indenture, the Priority of Payments set forth in the Indenture; or

(h) except pursuant to an Issuance Supplemental Indenture, modify any of the provisions of the Indenture in such a manner as to alter the methodology for calculation of the amount of any payment with respect to any Security on any Payment Date or to modify the provisions of the Indenture relating to redemption so as to affect the rights of the Holders of Securities to the benefit of any provisions for the redemption of the Notes contained in the Indenture.

The Collateral Manager will be bound to follow any amendment or supplement to the Indenture of which it has received written notice from the time it has received a copy of such amendment from the Issuer or the Trustee; *provided, however*, that with respect to any amendment to the Indenture which would (i) increase the duties or liabilities of, reduce or eliminate any right or privilege of, or adversely change the economic consequences to, the Collateral Manager or any Affiliate of the Collateral Manager performing the duties of the Collateral Manager in accordance with the Collateral Management Agreement, (ii) modify the restrictions on the sales of Collateral Debt Securities or (iii) expand or restrict the Collateral Manager's discretion, the Collateral Manager shall not be bound thereby unless the Collateral Manager shall have consented in advance thereto in writing.

The Collateral Administrator will be bound to follow any amendment or supplement to the Indenture of which it has received written notice from the time it has received a copy of such amendment from the Issuer or the Trustee; *provided, however*, that with respect to any amendment to the Indenture which would increase the duties or liabilities of, reduce or eliminate any right or privilege of, or adversely change the economic consequences to, the Collateral Administrator or any Affiliate of the Collateral Administrator performing the duties of the Collateral Administrator in accordance with the Collateral Administration Agreement, the

Collateral Administrator shall not be bound thereby unless the Collateral Administrator shall have consented in advance thereto in writing.

Additional Issuance. The Indenture will provide that, at any time during the Reinvestment Period, subject to the consent of the Collateral Manager, approval of a Majority of the Subordinated Notes and, if any of the Additional Notes will be senior to, or *pari passu* with, any Notes of the Controlling Class, approval of a Majority of the Controlling Class (including the consent to any related Issuance Supplemental Indenture), and the issuance of an opinion of counsel to the Issuer and the Trustee that such additional issuance (a) will not affect a holder of the Securities then outstanding from a U.S. Federal income tax perspective and (b) such Additional Notes will have the same U.S. Federal income tax treatment as the Notes then outstanding that are *pari passu* with such Additional Notes, the Issuer may issue additional notes of each Existing Class of Notes or additional Subordinated Notes ("**Additional Notes**"), up to an aggregate maximum amount of Additional Notes equal to 50% of the original principal amount of the Notes issued on the Closing Date; *provided* that (i) Rating Agency Confirmation has been obtained (unless Subordinated Notes are the only Class of Additional Notes being issued) and the rating of the Additional Notes of each Class must be the same as the rating of the Outstanding Notes of such Class, (ii) the net proceeds of any Additional Notes are used to pay the expenses of such issuance, purchase additional Collateral Debt Securities or to enter into Hedge Agreements, (iii) the Additional Notes issued of any Existing Class shall not exceed 50% of the principal amount of the Notes of such Class issued on the Closing Date, (iv) if Rated Notes are issued, the ratio of: (A) the Aggregate Outstanding Amount of each Class of Rated Notes, after giving effect to the issuance of such additional Rated Notes, plus the Aggregate Outstanding Amount of each Class of Rated Notes senior to, or *pari passu* with, such Class of Rated Notes, to (B) the sum of the Aggregate Outstanding Amount of all Classes of Rated Notes subordinate to such Class plus the Aggregate Outstanding Amount of Subordinated Notes, is not greater than such ratio immediately prior to the issuance of such additional Rated Notes and (v) if Rated Notes are issued, additional Notes of each Class of Notes must be issued in a *pro rata* amount (based on the then Aggregate Outstanding Amount of each Class of Notes), except that a greater amount of Subordinated Notes may be issued.

The terms and conditions of the Additional Notes of any Class issued will be substantially the same as those of the initial Notes of that Class (except that the issue price and/or the interest rate may be different and the interest due on the Additional Notes will accrue from the issue date of such Additional Notes). Interest on the Additional Notes will be payable commencing on the first Payment Date following the issue date of such Additional Notes.

Any Additional Notes of any Class issued will, to the extent reasonably practicable, be offered first to Holders of Notes of that Class, in such amounts as are necessary to preserve their *pro rata* holdings of Notes of such Class.

Additional Notes will be issued pursuant to supplemental indentures (an "**Issuance Supplemental Indenture**") which will not require the consent of the Holders of the Securities (except as provided in the first paragraph under this heading "*—Additional Issuance*"), and the Issuer may obtain separate CUSIPs, ISINs and Common Codes for such Notes and may take such actions as shall be required to list the Notes on an exchange. If Additional Notes of an Existing Class are issued, the Issuance Supplemental Indenture will specify the terms of the

Additional Notes and provide that the existing Notes and the Additional Notes of the same Class will rank *pari passu* in respect of payments of principal (based on the outstanding principal amount) and interest (based on the interest accrued thereon).

Additional Notes may be issued as combination securities with the same rights as a designated principal amount of two other specified Classes of Notes.

The Issuer may also issue one or more Classes of Notes in connection with a Refinancing. See "—Optional Redemption and Redemption by Refinancing."

Consolidation, Merger or Transfer of Collateral. Except under the limited circumstances set forth in the Indenture, the Issuer may not consolidate with, merge into, or transfer or convey all or substantially all of its assets to, any other corporation, partnership, trust or other Person.

Petitions for Bankruptcy. The Indenture will provide that the Holders of the Securities may not seek to commence a bankruptcy proceeding against or cause the Issuer to petition for bankruptcy or pass a resolution for its winding up until the payment in full of Notes and not before one year and a day, or if longer, the applicable preference period then in effect, has elapsed since such payment.

Satisfaction and Discharge of the Indenture. The Indenture will be discharged with respect to the Collateral upon, among others, delivery to the Trustee for cancellation of all of the Securities or, subject to certain conditions, deposit with the Trustee of funds sufficient for the payment or redemption thereof and the payment by the Issuer of all other amounts due under the Indenture.

Trustee. Citibank, N.A. will be the Trustee under the Indenture. The Indenture contains provisions for the indemnification of the Trustee by the Issuer, 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 trust. The payment of the fees, expenses and any indemnification payments to the Trustee are solely the obligation of the Issuer and solely payable out of the Collateral. The Trustee and/or its Affiliates may receive compensation in connection with the Trustee's investment of trust assets in certain Eligible Investments as provided in the Indenture. Eligible Investments may include investments for which the Trustee or an Affiliate of the Trustee provides services and receives compensation. The Issuer, the Collateral Manager and their Affiliates may maintain banking and other relationships in the ordinary course of business with the Trustee or its Affiliates.

The Trustee may resign at any time by providing written notice. The Trustee may be removed by (i) a Majority of the Notes, (ii) so long as no Event of Default has occurred and is continuing, the Collateral Manager or (iii) following an Event of Default, a Majority of the Controlling Class. No resignation or removal of the Trustee will become effective until the acceptance of the appointment of the successor Trustee.

Governing Law. The Indenture and the Securities will be governed by, and construed in accordance with, the law of the State of New York.

Reports. The Issuer will cause to be provided monthly reports containing certain information regarding the Collateral to the Trustee, who shall make such monthly report available to the Placement Agent, the Holders of the Notes, the Collateral Manager, the Paying Agent in Ireland, the Depository (accompanied by a request that it be transmitted to Holders of Notes on the books of the Depository), any subsequent Holder of a beneficial interest in any Note, upon written request therefore in accordance with the Indenture and each Rating Agency then rating any Outstanding Class of Notes.

RATING OF THE NOTES

It is a condition of the issuance of the Securities that the Rated Notes receive at least the ratings indicated under "Summary of Terms—Securities Offered." A security rating is not a recommendation to buy, sell or hold securities and is subject to withdrawal at any time. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the assigning Rating Agency if in its judgment circumstances in the future so warrant.

The ratings of any Class of Rated Notes addresses the ultimate Cash receipt to Holders of the Rated Notes of all required interest and principal payments as provided by the governing documents, and in the case of Moody's, is based on the expected loss posed to the Holders of the Rated Notes relative to the promise of receiving the present value of such payments.

The ratings assigned to the Securities by each Rating Agency are based upon its assessment of the probability that the Collateral Debt Securities will provide sufficient funds to pay such Securities (based upon the respective Interest Rates and principal balance), based largely upon such Rating Agency's statistical analysis of historical default rates on debt securities with various ratings, the terms of the Indenture, the asset and interest coverage required for the Rated Notes (which is achieved through the subordination of the Subordinated Notes and certain Classes of Rated Notes as described herein), and the Portfolio Profile Test and Collateral Quality Tests that must be satisfied or improved in order to reinvest in additional Collateral Debt Securities.

In addition to their respective quantitative tests, the ratings of each Rating Agency take into account qualitative features of a transaction, including the legal structure and the risks associated with such structure, such Rating Agency's view as to the quality of the participants in the transaction and other factors that it deems relevant.

SECURITY FOR THE NOTES

The collateral for the Notes will consist of (a) the Collateral Debt Securities and Equity Securities, (b) the Issuer Accounts, (c) Eligible Investments, (d) the Issuer's rights under the Collateral Management Agreement, any Hedge Agreements, any Securities Lending Agreements and the Collateral Administration Agreement, (e) all Cash or money delivered to the Trustee and (f) all other assets of the Issuer pledged to the Trustee pursuant to the Indenture (collectively, the "Collateral").

Collateral Debt Securities

An obligation meeting the standards set forth below, whether pledged to the Trustee on the Closing Date or thereafter, will constitute a "Collateral Debt Security." An obligation will be eligible for purchase by the Issuer and pledged to the Trustee as a Collateral Debt Security if it is a debt obligation (including an interest in a bank loan acquired directly or indirectly by way of sale or assignment), Participation Interest or Synthetic Security that, as of the related Commitment Date:

(i) is U.S. Dollar-denominated, the payments with respect to which are not by its terms payable by the related obligor thereof into currency other than U.S. Dollars;

(ii) is not (A) a Defaulted Security other than (1) a Purchased Defaulted Security or (2) a Deliverable Obligation received with respect to a Synthetic Security or (B) a Credit Risk Security;

(iii) (A) provides for a minimum fixed amount of principal payable on scheduled payment dates and/or at maturity (or a fixed notional amount in the case of Synthetic Securities) and has a stated maturity date and (B) except with respect to any Zero Coupon Security, provides for periodic payments of interest thereon in Cash at least quarterly (or at least annually to the extent permitted pursuant to clause (i) of the definition of Portfolio Profile Test);

(iv) (A) is unconditionally guaranteed as to the payment of principal and interest by the U.S. government or any agency thereof, or (B) except with respect to any Purchased Defaulted Security, (1) has a Moody's Rating of at least "Caa2" and (2) has an S&P Rating of at least "CCC", which S&P Rating does not have a "p," "pi," "q," "t" or an "r" subscript;

(v) does not constitute (A) Margin Stock or (B) an Equity Security and does not provide for mandatory or optional conversion into an Equity Security; *provided, however*, that the acquisition of an instrument that otherwise qualifies as a Collateral Debt Security, together with a warrant or other similar instrument that may be converted or exchanged for an Equity Security (that is neither (1) Margin Stock nor (2) a Tax Ineligible Equity Security), will not cause the former instrument to lose its eligibility as a Collateral Debt Security (so long as the value of such warrant or similar instrument does not exceed 2% of the purchase price paid by the Issuer for such obligation);

(vi) provides for payments to the Issuer that are not subject to withholding tax unless the related obligor is required to make "gross-up" payments to the Issuer that cover the full amount of any such withholding tax such that the Issuer would receive an amount at least equal

to the payment it would have received in the absence of such withholding tax pursuant to the Underlying Instrument with respect thereto (for the avoidance of doubt, this clause will not apply to commitment fees or similar fees with respect to Delayed Drawdown Debt Securities, Revolving Collateral Debt Securities, Synthetic Letters of Credit or non-fully funded facilities) and is Registered (unless failure to be Registered would not cause such security to be subject to U.S. withholding tax or to be subject to loss disallowance rules under the Code);

(vii) is eligible to be sold, assigned or participated to the Issuer and is eligible to be sold, assigned or participated by the Issuer subject to customary market restrictions, none of which would prohibit such sale, assignment or participation;

(viii) will not cause the Issuer to be deemed to own 5% or more of the voting securities of any Person or any securities that are immediately convertible into or immediately exercisable or exchangeable for 5% or more of the voting securities of any Person, as determined by the Collateral Manager on behalf of the Issuer;

(ix) is not a debt obligation whose repayment is subject to substantial non-credit-related risk as determined on behalf of the Issuer by the Collateral Manager in its good faith discretion;

(x) (A) is not an obligation or security pursuant to which any future advances are required to be made by the Issuer (except for Delayed Drawdown Debt Securities and Revolving Collateral Debt Securities) or pursuant to which any future payments are required to be made by the Issuer (except for Synthetic Securities or pursuant to customary agent indemnity provisions), and (B) in the case of each Delayed Drawdown Debt Security, Revolving Collateral Debt Security or Synthetic Security, the Issuer has deposited any Revolver Funding Reserve Amount in the Revolver Funding Account and any Synthetic Security Reserve Amount in the Synthetic Security Reserve Account or posted Synthetic Security Collateral in an amount sufficient to meet such future advances or future payment obligations;

(xi) will not require the Issuer or the pool of Collateral to be registered as an investment company under the Investment Company Act;

(xii) is not a sub-participation in a Participation Interest (*provided, however*, that such Participation Interest may include a sub-participation arising from the making of non-ratable payments to syndicate members);

(xiii) has not been incurred in order to finance a merger, acquisition, consolidation, sale of all or substantially all of the assets or similar transaction involving the obligor which obligation by its terms is required to be repaid within one year of the incurrence thereof with proceeds from additional borrowings or other refinancing;

(xiv) it is not an obligation the interest rates of which are scheduled to decrease (although interest payments may decrease upon the occurrence of (i) a decrease of the index relating to Floating Rate Obligations or (ii) the change from a default rate of interest to a non-default rate or an improvement in the obligor's financial condition);

(xv) it is not a PIK Security;

(xvi) is not the subject of an Offer;

(xvii) is issued by an obligor Domiciled in an Eligible Country;

(xviii) is not acquired for the purpose of accommodating a request from a Securities Lending Counterparty to borrow such obligation;

(xix) that is not, under Treasury Regulations Section 301.7701(i)-1(d)(1), (A) an obligation (including participations or certificates of beneficial ownership therein) that is principally secured by an interest in real property, (B) a regular or residual interest in a real estate mortgage investment conduit, or (C) a stripped bond or stripped coupon representing a right to a payment on a real estate mortgage (or an interest therein);

(xx) does not have a scheduled maturity date later than the Stated Maturity of the Notes, except that Collateral Debt Securities representing no more than 2% of the Principal Collateral Value may have a scheduled maturity date later than the Stated Maturity of the Notes; *provided* that no Collateral Debt Security shall have a scheduled maturity date later than the second anniversary of the Stated Maturity of the Notes;

(xxi) is not a CDO of CDO Securities (other than a CDO of CDO Securities where such CDO Securities are collateralized loan obligations), ABS CDO, CBO, synthetic CDO Security, CDO Security secured by obligations of obligors Domiciled in a country that is not an Eligible Country, market value CDO, security backed by future cashflows or net interest margin securities (other than a collateralized loan obligation or a synthetic collateralized loan obligation); and

(xxii) is eligible to be pledged to the Trustee in accordance with its underlying instruments.

An obligation that is exchanged for, or results from an amendment, modification or waiver of the terms of, a Collateral Debt Security pursuant to an Offer shall be deemed (other than for purposes of clause (xvi) above) to be purchased for purposes hereof as of the date of such exchange, amendment, modification or waiver.

In the Indenture, the Issuer will covenant that it will not become the owner of any asset if the ownership or disposition of such asset would cause the Issuer to be engaged, or deemed to be engaged, in a trade or business within the United States for United States Federal income tax purposes. Furthermore, under the Collateral Management Agreement, the Collateral Manager is required to comply with certain guidelines designed to minimize the risk that the Issuer will be deemed to have participated in the negotiation of the terms of a primary loan origination for U.S. Federal income tax purposes or be treated as engaged in a U.S. trade or business for U.S. Federal income tax purposes.

Portfolio Profile Test

In addition to satisfying the requirements set forth in the definition of Collateral Debt Security, after the Effective Date, each Collateral Debt Security must satisfy the requirements set

forth below (collectively, the "**Portfolio Profile Test**") on the related Commitment Date; *provided, however*, that if any requirement is not satisfied, it must be improved or maintained:

(i) the Collateral Debt Security must provide for periodic payments of interest in Cash no less frequently than quarterly, except that Collateral Debt Securities representing up to 10% of the Principal Collateral Value may be obligations that provide for payments of interest in Cash less frequently than quarterly but at least annually; *provided* that Collateral Debt Securities representing no more than 5% of the Principal Collateral Value may be obligations that provide for payments of interest in Cash less frequently than semi-annually but at least annually;

(ii) Collateral Debt Securities representing no more than 10% of the Principal Collateral Value may consist of (w) Delayed Drawdown Debt Securities, (x) Revolving Collateral Debt Securities, (y) Synthetic Securities the reference obligations of which are described in the foregoing clause (w) or (x) and (z) Participation Interests in Collateral Debt Securities described in the foregoing clause (w), (x) or (y);

(iii) Collateral Debt Securities representing no more than 10% of the Principal Collateral Value may have a Moody's Derived Rating determined pursuant to clause (iv)(A) of such definition and Collateral Debt Securities representing no more than 10% of the Principal Collateral Value may have an S&P Derived Rating determined pursuant to clause (v)(B) of such definition;

(iv) Collateral Debt Securities representing no more than 5% of the Principal Collateral Value may consist of Collateral Debt Securities bearing a fixed rate of interest;

(v) Collateral Debt Securities representing at least 95% of the Principal Collateral Value will consist of Collateral Debt Securities that are (1) Senior Secured Loans or Second Lien Loans, (2) Participation Interests in Senior Secured Loans or Second Lien Loans or (3) Synthetic Securities referencing Senior Secured Loans or Second Lien Loans (assuming for the purpose of this clause (v) that Eligible Principal Investments are invested in Senior Secured Loans that satisfy the requirements of the Indenture); *provided* that Collateral Debt Securities representing, in the aggregate, no more than 10% of the Principal Collateral Value may consist of Collateral Debt Securities that are (1) Second Lien Loans, (2) Participation Interests in Second Lien Loans, (3) Synthetic Securities referencing Second Lien Loans, (4) Senior Unsecured Loans, (5) Participation Interests in Senior Unsecured Loans, (6) Synthetic Securities referencing Senior Unsecured Loans, (7) Synthetic Securities that reference Bonds or (8) Bonds.

(vi) the Counterparty Criteria are satisfied;

(vii) Collateral Debt Securities representing, in the aggregate, no more than 10% of the Principal Collateral Value may consist of Collateral Debt Securities subject to Securities Lending Agreements; and Collateral Debt Securities representing, in the aggregate, no more than 20% of the Principal Collateral Value may consist of Participation Interests, Collateral Debt Securities subject to Securities Lending Agreements and the LC Commitment Amount under Synthetic Letters of Credit that are in the form of Participation Interests;

(viii) Collateral Debt Securities of any single obligor (together with any Affiliates thereof) will represent no more than 2% of the Principal Collateral Value (except that, with respect to up to three obligors (together with any Affiliates thereof) of Collateral Debt Securities, such Collateral Debt Securities of such obligor may represent no more than 2.5% of the Principal Collateral Value; *provided* that the exception provided by this parenthetical shall not apply to the unsecured Bonds of any obligor);

(ix) Collateral Debt Securities representing no more than 9% of the Principal Collateral Value may have obligors in the same S&P Industry Classification; *provided, however*, that no more than two groups of Collateral Debt Securities each representing no more than 12% of the Principal Collateral Value may have obligors in the same S&P Industry Classification;

(x) (A) at least 85% of the Principal Collateral Value shall consist of Senior Secured Loans, that are secured by a valid first priority perfected security interest, of issuers Domiciled in the United States, Canada or the United Kingdom and (B) all of the Collateral Debt Securities must be issued by obligors Domiciled in Eligible Countries and no more than the percentage below of the Principal Collateral Value may be obligors who, or whose guarantors, are Domiciled in (or, in the case of a Tax Jurisdiction, organized under the laws of) the country or countries set forth opposite such percentages; *provided* that any Collateral Debt Securities of issuers not Domiciled in the United States, Canada or the United Kingdom, or any Tax Jurisdiction must be Senior Secured Loans:

- 20% Eligible Countries (other than the United States);
- 10% Eligible Countries (other than the United States and Canada);
- 10% any single Group I European Country;
- 5% any single Group II European Country, Group III European Country or other Eligible Country (other than the United States, Canada or any Group I or Group IV European Country);
- 3% any single Group IV European Country;
- 15% Canada;
- 5% all Eligible Countries (other than the United States, Canada and European Countries), taken together;
- 5% all Group III European Countries, taken together;
- 3% all Group IV European Countries, taken together; and
- 5% all Tax Jurisdictions (excluding any Structured Finance Obligations);

(assuming for purposes of this clause (x) that Eligible Principal Investments are invested in Senior Secured Loans that satisfy the requirements of clauses (A) and (B) above);

(xi) if such Collateral Debt Security (excluding Defaulted Securities and Current Pay Obligations) has a Moody's Rating of "Caa1" or below or a S&P Rating of "CCC+" or below at the time of purchase, then the Aggregate Principal Balance of such Collateral Debt Securities

(excluding Defaulted Securities and Current Pay Obligations) that had a Moody's Default Probability Rating of "Caa1" or below or an S&P Rating of "CCC+" or below at the time of purchase and continue to have such ratings or a worse rating does not exceed 7.5% of the Principal Collateral Value after giving effect to such purchase, it being understood that for purposes of determining the Collateral Debt Securities (or portion thereof) comprising the excess of 7.5% of the Principal Collateral Value, the Collateral Debt Securities (or portion thereof) that have the lowest Market Value shall be deemed to comprise such excess;

(xii) Collateral Debt Securities representing no more than 5% of the Principal Collateral Value may consist of DIP Collateral Debt Securities; *provided, however* that not more than 2% of the Principal Collateral Value may consist of DIP Collateral Debt Securities issued by a single obligor;

(xiii) (A) Collateral Debt Securities representing no more than 5% of the Principal Collateral Value may consist of Current Pay Obligations and (B) Collateral Debt Securities representing no more than 2.5% of the Principal Collateral Value may consist of Current Pay Obligations that were Current Pay Obligations at the time of their purchase by the Issuer;

(xiv) Collateral Debt Securities representing no more than 5% of the Principal Collateral Value may consist of PIK Securities and Partial PIK Securities;

(xv) no more than 5% of the Principal Collateral Value may consist of Finance Leases;

(xvi) no more than 0% of the Principal Collateral Value may consist of Structured Finance Obligations or CDO Securities;

(xvii) no more than 5% of the Principal Collateral Value may consist of Collateral Debt Securities with an original issuance size (including committed amounts under Revolving Collateral Debt Securities and Delayed Drawdown Debt Securities and all other debt obligations issued or committed to be issued by such obligor under the same facility) less than U.S.\$100,000,000;

(xviii) no more than 2% of the Principal Collateral Value may consist of Zero Coupon Securities;

(xix) no more than 5% of the Principal Collateral Value may consist of Collateral Debt Securities that are Senior Unsecured Loans, Participation Interests in Senior Unsecured Loans or Synthetic Securities that reference Senior Unsecured Loans;

(xx) no more than 5% of the Principal Collateral Value may consist of Collateral Debt Securities that are Bonds or Synthetic Securities that reference Bonds; *provided* that no more than 0% of the Principal Collateral Value may consist of Collateral Debt Securities that are subordinated Bonds or Synthetic Securities that reference subordinated Bonds;

(xxi) no more than 5% of the Principal Collateral Value may consist of the LC Commitment Amount under Synthetic Letters of Credit (other than Nonwithholding Synthetic Letters of Credit);

(xxii) Collateral Debt Securities representing no more than 20% of the Principal Collateral Value may consist of Cov-Lite Loans; and

(xxiii) no more than 20% of the Principal Collateral Value may consist of Synthetic Securities.

Notwithstanding the foregoing, the failure of obligations in the aggregate or individually to meet the requirements set forth above at any time shall not prevent any obligation which would, but for such failure, otherwise be a Collateral Debt Security from being a Collateral Debt Security so long as at the time of purchase (or commitment to purchase) (i) such obligation was a Collateral Debt Security or (ii) such Collateral Debt Security shall result in either maintaining or improving the status of the Collateral with respect to each such requirement the obligations in the aggregate do not meet.

For purposes of the foregoing calculations with respect to this definition, the numerator used to calculate the applicable percentages will be calculated using the Principal Balances of the applicable Collateral Debt Securities, unless otherwise specified.

Purchase of Collateral Debt Securities

The Issuer expects that, by the Closing Date, the Issuer will have purchased, or entered into agreements to purchase, Collateral Debt Securities selected by the Collateral Manager representing at least U.S.\$280,700,000 in Aggregate Principal Balance. The Issuer will purchase the remainder of the proposed portfolio of Collateral Debt Securities during the Initial Investment Period, subject to compliance with the Investment Criteria and other restrictions set forth in the Indenture.

The Issuer does not expect and is not required to satisfy the Collateral Quality Tests, the Portfolio Profile Test, the Coverage Tests or the Interest Reinvestment Test prior to the Effective Date. The Issuer is not required to satisfy the Class C Interest Coverage Test, the Class D Interest Coverage Test or the Class E Interest Coverage Test until the second Payment Date.

On or prior to the 10th Business Day after the Interim Target Date:

(i) the Collateral Manager shall on behalf of the Issuer prepare and report the aggregate principal amount of Collateral Debt Securities purchased (or committed to be purchased) as of such Interim Target Date; and

(ii) the Collateral Manager shall on behalf of the Issuer submit to the Rating Agencies (A) a statement showing compliance with such Interim Target or (B) if such Interim Target is not satisfied, a plan with respect to which the Collateral Manager certifies on behalf of the Issuer that, in its good faith judgment, such plan is anticipated to be sufficient to acquire Collateral Debt Securities having an Aggregate Principal Balance (as of the respective acquisition and commitment dates of such Collateral Debt Securities) that equals or exceeds the Target Par Amount (including any amortized amounts and the Aggregate Unfunded Commitment Amount) on the Effective Date.

Within 15 Business Days following the Effective Date, the Issuer (or the Collateral Manager on behalf of the Issuer) will request each Rating Agency (unless, in the case of Moody's, a Deemed Moody's Confirmation occurs) to provide Rating Agency Confirmation of the ratings in effect on the Closing Date. In the event of a Rating Confirmation Failure or, if the Collateral Manager reasonably believes that a Rating Agency Confirmation may not be received in connection with the Effective Date, the Collateral Manager, on behalf of the Issuer, may propose a plan (a "**Proposed Plan**") to the Rating Agencies to obtain a Rating Agency Confirmation, which Proposed Plan may include (a) making certain payments of principal of and accrued interest on the outstanding principal amount of the Rated Notes as necessary to obtain a Rating Agency Confirmation and in accordance with the Priority of Payments, (b) selling a portion of the Collateral Debt Securities in such amounts as may be necessary in order to obtain a Rating Agency Confirmation, (c) subject to the terms of the Indenture, issuing additional Subordinated Notes in such amounts as may be necessary in order to obtain a Rating Agency Confirmation, and to use the proceeds of the sale of such Subordinated Notes to purchase Collateral Debt Securities, (d) extending the Effective Date or (e) taking any other action not otherwise prohibited by the Indenture as may be proposed in such plan and in respect of which the Issuer has satisfied the Rating Agency Confirmation in respect of each of the Rating Agencies. If a Proposed Plan has not been presented and accepted by the Rating Agencies, resulting in a Rating Agency Confirmation, on or prior to the first Determination Date following the Rating Confirmation Failure, then on the related Payment Date (the "**Rating Confirmation Failure Payment Date**") (and on each Payment Date thereafter until a Rating Agency Confirmation has been obtained) the Issuer will make payments of principal of and accrued interest on the outstanding principal amount of Rated Notes in priority order in an amount sufficient to obtain such Rating Agency Confirmation.

The Coverage Tests and Collateral Quality Tests

The Coverage Tests will be used primarily to determine whether principal and interest may be paid on the Rated Notes and whether funds which would otherwise be used to pay interest on the Mezzanine Notes or the Class E Junior Notes or Excess Interest that would otherwise be payable to the Holders of the Subordinated Notes must instead be used to pay principal on one or more Classes of Rated Notes according to the Priority of Payments. The "**Coverage Tests**" will consist of the Class A/B Overcollateralization Test and, on and after the second Payment Date, the Class A/B Interest Coverage Test (together, the "**Class A/B Coverage Tests**"), the Class C Overcollateralization Test and, on and after the second Payment Date, the Class C Interest Coverage Test (together, the "**Class C Coverage Tests**"), the Class D Overcollateralization Test and, on and after the second Payment Date, the Class D Interest Coverage Test (together, the "**Class D Coverage Tests**") and the Class E Overcollateralization Test and, on and after the second Payment Date, the Class E Interest Coverage Test (together, the "**Class E Coverage Tests**").

The following tests (the "**Collateral Quality Tests**"), which will be used primarily as criteria for purchasing Collateral Debt Securities, will be satisfied if each of the following is satisfied: (i) the Moody's Maximum Weighted Average Rating Factor Test; (ii) the Weighted Average Life Test; (iii) the Weighted Average Coupon Test; (iv) the S&P Minimum Weighted Average Recovery Rate Test; (v) the Moody's Minimum Weighted Average Recovery Rate Test, (vi) the S&P CDO Monitor Test, (vii) the Moody's Diversity Test and (viii) the Weighted

Average Spread Test. Measurement of the degree of compliance with the Collateral Quality Tests will be required as of any date of determination at, or subsequent to the Effective Date and as part of the Investment Criteria. For purposes of the calculation of the Collateral Quality Tests at any time, Synthetic Securities will have the treatment set forth in the definition of "Synthetic Security," and except as otherwise described herein, Defaulted Securities and PIK Securities will not be included in the calculation of the Collateral Quality Tests.

The Interest Reinvestment Test

The Interest Reinvestment Test will be used primarily to determine whether the Interest Proceeds remaining after payment of certain fees and expenses of the Issuer, the Hedge Payment Amount and interest on the Rated Notes and after application of Interest Proceeds to pay principal of the Rated Notes to the extent required to satisfy the Coverage Tests will be distributed to the Holders of the Subordinated Notes (and applied to pay the Incentive Management Fee) after payment of certain subordinated expenses of the Issuer. If on any Determination Date the Interest Reinvestment Test is not satisfied (after taking into account other applications of Interest Proceeds on such Distribution Date), up to 60% of the remaining Interest Proceeds (the "**Interest Reinvestment Test Diversion Amount**") will be transferred to the Principal Collection Account (to be available to purchase additional Collateral Debt Securities) to the extent required to satisfy the Interest Reinvestment Test.

Sales of Collateral Debt Securities

Subject to the requirements set forth in the Indenture and *provided* that no Event of Default has occurred and is continuing, the Collateral Manager on behalf of the Issuer may instruct the Trustee to sell, assign or terminate on behalf of the Issuer (each a "**Sale**"):

- (a) any Credit Risk Security at any time during and after the Reinvestment Period;
- (b) any Credit Improved Security:
 - (i) at any time during the Reinvestment Period, if the Collateral Manager reasonably believes that it will be able to enter into binding commitments to reinvest all or a substantial portion of the Sale Proceeds from such Sale, in compliance with the Investment Criteria, in one or more additional Collateral Debt Securities no later than 20 Business Days following such Sale; or
 - (ii) at any time after the Reinvestment Period, if the Sale Proceeds from such Sale are at least equal to the Aggregate Principal Balance of such Credit Improved Security;
- (c) any Defaulted Security at any time during or after the Reinvestment Period; *provided* that the Collateral Manager will use its good faith efforts to effect the Sale of any Defaulted Security within three years after such security becomes a Defaulted Security;
- (d) any Equity Security at any time during or after the Reinvestment Period; *provided, however*, that the Collateral Manager will use good faith efforts to sell any Equity Security or Collateral Debt Security that constitutes Margin Stock not later than 45 days after the later of (i) the date of the Issuer's acquisition thereof or (ii) the date such Equity Security or

Collateral Debt Security became Margin Stock; *provided, further*, that any Equity Security that constitutes a Tax Ineligible Equity Security will be held through a wholly-owned subsidiary treated as a corporation for U.S. Federal tax purposes; and

(e) during the Reinvestment Period, any Collateral Debt Security that is (i) not a Defaulted Security, an Equity Security, a Credit Risk Security or a Credit Improved Security at any time during the Reinvestment Period or (ii) any Synthetic Security Collateral released from a synthetic security collateral account and delivered to the Issuer pursuant to the terms of the related Synthetic Security (each such sale or release, a "**Discretionary Sale**"), if:

(i) after giving effect to such Sale, the Aggregate Principal Balance of all such Collateral Debt Securities sold after the Effective Date for a given 12-calendar month period is not greater than 20% of the Aggregate Principal Balance of all Collateral Debt Securities as of the beginning of such 12-calendar month period;

(ii) the Restricted Trading Condition is not applicable; and

(iii) the Collateral Manager believes in good faith that it will be able to enter into binding commitments to reinvest all or a substantial portion of the Sale Proceeds from such sale, in compliance with the Investment Criteria, in one or more additional Collateral Debt Securities within 20 Business Days following such sale.

The Collateral Manager may determine that a Synthetic Security is a Credit Risk Security or a Credit Improved Security based on either a change in the credit quality or rating of the Synthetic Security Counterparty or based on the credit quality, value, rating or credit spread of the Reference Obligation or the value or credit spread of the Synthetic Security.

In connection with an Optional Redemption of the Notes or the Stated Maturity, the Collateral Manager shall on behalf of the Issuer instruct the Trustee to sell, assign or terminate Collateral Debt Securities without regard to the preceding limitations.

The Collateral Manager will no later than the Determination Date prior to the Payment Date coinciding with the Stated Maturity, on behalf of the Issuer, instruct the Trustee to, and the Trustee will, sell, assign or terminate for settlement in immediately available funds no later than two Business Days before the Stated Maturity any Collateral Debt Securities scheduled to mature after the Stated Maturity of the Notes.

The authorization to sell, assign or terminate any Collateral Debt Securities under any provision of the Indenture includes, in the case of a Synthetic Security in the form of a derivative, the authorization to terminate or assign the Synthetic Security.

Investment Criteria

During the Reinvestment Period, the Collateral Manager will on behalf of the Issuer from time to time instruct the Trustee to invest Principal Proceeds (including Sale Proceeds of Collateral Debt Securities and any Interest Reinvestment Test Diversion Amount) in additional Collateral Debt Securities. After the Reinvestment Period, the Collateral Manager may, in its sole discretion, elect from time to time to instruct the Trustee to invest any Interest Reinvestment

Test Diversion Amount and any Principal Proceeds from the Sale of a Credit Improved Security or from a Prepaid Collateral Debt Security in additional Collateral Debt Securities. If, however, at the time of sale, the Collateral Manager is not required to and has not identified additional Collateral Debt Securities for purchase, Principal Proceeds may be invested in Eligible Principal Investments on a temporary basis, pending reinvestment in additional Collateral Debt Securities or, to the extent required under the Indenture, distributed under the Priority of Payments.

No Collateral Debt Security may be purchased unless each of the following conditions (collectively, the "**Investment Criteria**") are satisfied as of the related Commitment Date, in each case, immediately after giving effect to such purchase or commitment and all other sales or purchases previously or simultaneously committed to:

- (i) such obligation qualifies as a Collateral Debt Security;
- (ii) except in connection with the reinvestment of Principal Proceeds of any Defaulted Security or Credit Risk Security, after the Effective Date or, in the case of the Class C Interest Coverage Test, Class D Interest Coverage Test and Class E Interest Coverage Test, the second Payment Date, each Coverage Test will be satisfied, or if not satisfied, such test will be maintained or improved following any reinvestment of such Principal Proceeds in one or more additional Collateral Debt Securities; *provided, however*, Principal Proceeds that are Scheduled Distributions may not be so reinvested unless each Coverage Test is satisfied immediately before and immediately following any purchase (or commitment to purchase) with such Principal Proceeds in one or more Collateral Debt Securities;
- (iii) after the Effective Date, except in connection with the reinvestment of Principal Proceeds of any Defaulted Security or Credit Risk Security, the S&P CDO Monitor Test must be met or improved after giving effect to such purchase (or commitment to purchase);
- (iv) after the Effective Date, either (A) each requirement of the Collateral Quality Test (other than the S&P CDO Monitor Test) and Portfolio Profile Test will be satisfied or (B) if any such requirement is not satisfied immediately prior to such reinvestment, such requirement will be maintained or improved;
- (v) after the Effective Date, in the case of the reinvestment during the Reinvestment Period of Principal Proceeds received with respect to a Discretionary Sale of a Collateral Debt Security (other than a Defaulted Security, an Equity Security or a Credit Risk Security) or a sale of a Credit Improved Security, either (A) the Principal Collateral Value following consummation of the proposed reinvestment of such Principal Proceeds, taking into account such proposed reinvestment, will not be less than the Principal Collateral Value immediately prior to such proposed reinvestment or (B) the Class D Overcollateralization Ratio following consummation of the proposed reinvestment of such Principal Proceeds, taking into account such proposed reinvestment, would not be lower than the Class D Overcollateralization Ratio on the Effective Date;
- (vi) after the Effective Date, in the case of the reinvestment during the Reinvestment Period of Principal Proceeds received with respect to a sale of a Defaulted Security, an Equity

Security or a Credit Risk Security, the Aggregate Principal Balance of all Collateral Debt Securities purchased with such Sale Proceeds will at least equal 100% of such Sale Proceeds;

(vii) in the case of an acquisition of an Unfunded Synthetic Security, the Balance in the Synthetic Security Reserve Account will at least equal the Synthetic Security Reserve Amount taking into account such acquisition and any deposit made to the Synthetic Security Reserve Account in connection therewith;

(viii) in the case of an acquisition of a Revolving Collateral Debt Security or a Delayed Drawdown Debt Security, the Balance in the Revolver Funding Account will at least equal the Revolver Funding Reserve Amount taking into account such acquisition and any deposit made to the Revolver Reserve Account in connect therewith; and

(ix) in the case of the reinvestment after the Reinvestment Period of Principal Proceeds of a Credit Improved Security or a Prepaid Collateral Debt Security, (A) the Collateral Manager elects on behalf of the Issuer to invest such amounts in additional Collateral Debt Securities, (B) the Restricted Trading Condition is not applicable, (C) the Moody's Maximum Weighted Average Rating Factor Test is satisfied after giving effect to such reinvestment, (D) the S&P Ratings of the Collateral Debt Securities purchased with such Principal Proceeds must equal or exceed the S&P Ratings of the Credit Improved Security sold or the Prepaid Collateral Debt Security prepaid, (E) the CCC Excess is equal to zero, (F) the Principal Collateral Value following consummation of the proposed reinvestment of such Principal Proceeds, taking into account such proposed reinvestment, will not be less than the Principal Collateral Value immediately prior to such proposed reinvestment, (G) each of the Coverage Tests will be satisfied after giving effect to such sale (if applicable) and reinvestment and each of the Collateral Quality Tests and Portfolio Profile Tests will be satisfied both before and after giving effect to such sale (if applicable) and reinvestment, (H) the Weighted Average Life Test was satisfied as of the last day of the Reinvestment Period and the scheduled maturity of the Collateral Debt Security proposed to be purchased with such Principal Proceeds is no later than the scheduled maturity of the Collateral Debt Security that was the source of such Principal Proceeds and (I) in the case of a Revolving Collateral Debt Security, Delayed Drawdown Debt Security or Unfunded Synthetic Security acquired by the Issuer after the end of the Reinvestment Period, an amount equal to the unfunded amount of such Revolving Collateral Debt Security, Delayed Drawdown Debt Security or Unfunded Synthetic Security is deposited to the Revolver Funding Account or the Synthetic Security Reserve Account, as applicable.

For purposes of calculating compliance with the Investment Criteria, each proposed investment will be evaluated after giving effect to all sales and reinvestments (A) previously settled and (B) not yet settled but reasonably expected to settle within 20 Business Days following the date of calculation, as certified by the Collateral Manager on behalf of the Issuer to the Trustee based on outstanding Issuer orders, trade confirmations or executed assignments.

Notwithstanding the restrictions above, a Defaulted Security (a "**Purchased Defaulted Security**") may be purchased with all or a portion of the Sale Proceeds of another Defaulted Security (an "**Exchanged Defaulted Security**") if:

(i) such Purchased Defaulted Security would otherwise qualify as a Collateral Debt Security but for the fact that such debt obligation is a Defaulted Security;

(ii) the Collateral Manager has certified on behalf of the Issuer to the Trustee that:

(A) at the time of the purchase, (i) the Purchased Defaulted Security is no less senior in right of payment than the seniority of the Exchanged Defaulted Security and (ii) each of the S&P rating and Moody's rating, if any, of the Purchased Defaulted Security is the same or better respective rating, if any, as that of the Exchanged Defaulted Security;

(B) after giving effect to the purchase, (i) each of the Coverage Tests is satisfied, (ii) the Principal Collateral Value shall not be reduced and (iii) the Moody's Maximum Weighted Average Rating Factor Test shall be satisfied;

(C) both prior to and after giving effect to such combined sale and purchase, the exchange would satisfy the Portfolio Profile Test or, if any Portfolio Profile Test was not satisfied prior to such exchange, such Portfolio Profile Test will be maintained or improved;

(D) the period for which the Issuer held the Exchanged Defaulted Security will be included for all purposes in the Indenture when determining the period for which the Issuer holds the Purchased Defaulted Security for purposes of the period described above under "—Sales of Collateral Debt Securities"; and

(E) the Restricted Trading Condition is not applicable; and

(iii) such purchase of the Purchased Defaulted Security will not, when taken together with all other Purchased Defaulted Securities then held, cause the aggregate Principal Balance of all Purchased Defaulted Securities then held by the Issuer, to exceed 2.5% of the Principal Collateral Value.

Notwithstanding any of the Investment Criteria restrictions described above, a Majority of the Controlling Class may elect to waive the Restricted Trading Condition, in which case such condition shall not apply until the earlier of (i) revocation of such waiver by a Majority of the Controlling Class or (ii) a further downgrade or withdrawal of the rating of any Class of Notes that, notwithstanding such waiver, would cause the Restricted Trading Condition to apply.

The Collateral Manager will also be required to comply with certain tax-related guidelines intended to prevent the Issuer from being deemed to be engaged in a U.S. trade or business for U.S. Federal income tax purposes.

For the avoidance of doubt, the Collateral Manager will be deemed to have actual knowledge of all information the individuals actually performing the obligations of the Collateral Manager under the Collateral Management Agreement have actually received. Information in the possession of any of the Collateral Manager's third-party agents shall in no way impute actual knowledge of such information to the Collateral Manager.

Certain Issuer Accounts

The Trustee will establish certain segregated trust accounts (collectively, the "**Issuer Accounts**") for the benefit of the Secured Parties that shall include the following.

Unused Proceeds Account. On the Closing Date, Unused Proceeds will be deposited into the "**Unused Proceeds Account**." Any net proceeds of the issuance of Additional Notes which proceeds are not designated by the Issuer to pay the costs of the issuance or the costs of entering into any Hedge Agreements shall be deposited into the Unused Proceeds Account. During the Reinvestment Period, Unused Proceeds may be used to purchase Collateral Debt Securities. Any amounts remaining in the Unused Proceeds Account at the end of the Non-Call Period, and any Unused Proceeds in the Unused Proceeds Account on the first Payment Date following the Due Period during which notice of a Special Redemption is given, will become Principal Proceeds to be distributed in accordance with the Priority of Payments.

Collection Account. All distributions on the Collateral Debt Securities and any proceeds received from the disposition of such Collateral Debt Securities will be remitted to the "**Collection Account**" and will be available, together with reinvestment earnings thereon, for application to the payment under the Priority of Payments and for the acquisition of Collateral Debt Securities under the circumstances and pursuant to the requirements of the Indenture and as described herein. The Trustee will withdraw from the Collection Account and deliver to the Placement Agent, in accordance with the written instructions delivered by the Placement Agent to the Trustee from time to time, an amount equal to any Warehouse Accrued Interest not later than two Business Days following the date on which such Warehouse Accrued Interest is due, whether or not such accrued interest is received by the Issuer.

Payment Account. Funds on deposit in, or otherwise to the credit of, the "**Payment Account**" will be used to pay the interest on and the principal of the Rated Notes in accordance with their terms and the provisions of the Indenture and to pay Administrative Expenses and other amounts specified herein (including Excess Interest (if any) or in respect of the Subordinated Notes), each in accordance with the Priority of Payments.

Revolver Funding Account. Upon the purchase of any Delayed Drawdown Debt Security or Revolving Collateral Debt Security, funds shall be deposited (at the direction of the Collateral Manager) and maintained, in each case to the extent described below in an account (the "**Revolver Funding Account**"). Upon and as a condition to the purchase of any Revolving Collateral Debt Security or a Delayed Drawdown Debt Security, additional funds from the applicable Unused Proceeds Account or Principal Proceeds will be deposited, and at all times funds will be maintained, in the Revolver Funding Account such that the Balance in the account will be at least equal to 100% of the Revolver Funding Reserve Amount. The "**Revolver Funding Reserve Amount**" as of any time means an amount equal to the excess, if any, of (a) the Aggregate Unfunded Commitment Amount at such time over (b) the Balance on deposit in the Synthetic Security Reserve Account at such time (prior to giving effect to any proposed or pending deposit into such account at such time).

Upon initial purchase, such funds will be treated as part of the purchase price for the related Collateral Debt Security. After the initial purchase, all principal payments received on

any Revolving Collateral Debt Security or Delayed Drawdown Debt Security will be deposited directly into the Revolver Funding Account (and will not be available for distribution as Principal Proceeds) to the extent required to maintain the Revolver Funding Reserve Amount (including with respect to the amount of such principal payments that may be re-borrowed under such Revolving Collateral Debt Security). Upon the sale, maturity or termination of a Revolving Collateral Debt Security or Delayed Drawdown Debt Security or termination or reduction of the related commitment, any funds in the Revolver Funding Account in excess of the amount needed to maintain the Revolver Funding Reserve Amount will be transferred to the Collection Account and treated as Sale Proceeds.

The Indenture provides that any amount standing to the credit of the Revolver Funding Account may be withdrawn therefrom (a) to fund an Aggregate Unfunded Amount with respect to any Revolving Collateral Debt Security or Delayed Drawdown Debt Security, (b) whenever the Aggregate Unfunded Amount with respect to the Revolving Collateral Debt Securities and Delayed Drawdown Debt Securities is reduced, in an amount equal to the amount of such reduction and (c) upon any Optional Redemption or in connection with any liquidation of the Collateral following the occurrence of an Event of Default.

Funds in the Revolver Funding Account may be invested in Eligible Investments which mature (or may be withdrawn at the Issuer's option without penalty) on the next Business Day.

Synthetic Security Reserve Account. Upon the purchase of any Synthetic Security that requires future payments by the Issuer without requiring Synthetic Security Collateral to be posted by the Issuer with respect to the unfunded amount of the Synthetic Security (each, an "**Unfunded Synthetic Security**"), additional funds from the Unused Proceeds Account or Principal Proceeds, as applicable, will be deposited, and at all times funds will be maintained, in the "**Synthetic Security Reserve Account**" such that the Balance in the account will be at least equal to 100% of the Synthetic Security Reserve Amount. The "**Synthetic Security Reserve Amount**" as of any time means an amount equal to the excess, if any, of (a) the Aggregate Unfunded Commitment Amount at such time over (b) the Balance on deposit in the Revolver Funding Account at such time (after giving effect to any proposed or pending deposit into such account at such time). Upon initial purchase, such funds will be treated as part of the purchase price for the Synthetic Security. Upon the sale or termination of such Synthetic Security or termination or reduction of the related commitment, any related funds in the Synthetic Security Reserve Account in excess of the amount needed to maintain the Synthetic Security Reserve Amount will be transferred to the Collection Account and treated as Sale Proceeds.

As part of the acquisition of a Synthetic Security, the Issuer, or the Collateral Manager on behalf of the Issuer, may be required to deposit Synthetic Security Collateral with a custodian or other third party (which may be the Trustee, acting as collateral agent) and grant to the related Synthetic Security Counterparty a security interest in such Synthetic Security Collateral, and the Synthetic Security Counterparty may be required to post collateral for the benefit of the Issuer in accordance with the terms of such Synthetic Security. In the event the Trustee acts as collateral agent with respect to Synthetic Security Collateral, the Trustee will deposit such Synthetic Security Collateral in one or more segregated trust accounts (each a "**Synthetic Security Collateral Account**"), which shall be held in trust in the name of the Trustee, as collateral agent, for the benefit of the related Synthetic Security Counterparty, and will apply the funds on deposit

in such account(s), in accordance with the terms of the related Synthetic Security. The amount paid by the Issuer for Synthetic Security Collateral will be treated as part of the purchase price of the Synthetic Security, and the amount of the unfunded notional amount of such Synthetic Security will be deemed to be reduced by the amount of such payment for purposes of all calculations under the Indenture. In determining the interest payments, fixed rate or spread on a Synthetic Security for which Synthetic Security Collateral has been posted (and whether it is a fixed rate Collateral Debt Security), the income payable to the Issuer on the Synthetic Security Collateral (or under a related derivative transaction) will be treated as part of the interest payable to the Issuer on the Synthetic Security.

Funds in the Synthetic Security Reserve Account may be invested in Eligible Investments which mature (or may be withdrawn at the Issuer's option without penalty) on the next Business Day.

Reserve Account. The Trustee shall, prior to the Closing Date, establish a segregated trust account designated as the "**Reserve Account**," into which the Issuer shall deposit the Reserve Amount. On the first three Payment Dates, all or a portion of the Reserve Amount shall be applied as Interest Proceeds, as directed by the Collateral Manager (on behalf of the Issuer). On the third Payment Date following the Closing Date, any Remaining Reserve Amount that is not designated as Interest Proceeds pursuant to the Indenture will be applied as Principal Proceeds, and the Reserve Account will be closed.

Expense Reserve Account. The Trustee shall, prior to the Closing Date, establish a segregated trust account designated as the "**Expense Reserve Account**." On any Business Day from the Closing Date to the Determination Date relating to the first Payment Date, the Trustee shall apply funds from the Expense Reserve Account, as directed by the Collateral Manager, to pay expenses of the Issuer incurred in connection with the establishment of the Issuer, the structuring and consummation of the initial offering and the issuance of the Securities. On the Determination Date relating to the first Payment Date following the Closing Date, all funds in the Expense Reserve Account will be deposited in the Unused Proceeds Account and the Expense Reserve Account will be closed.

Synthetic LC Reserve Account. In the event that the Collateral Manager (on behalf of the Issuer) determines that there are reasonable grounds to believe that fees in respect of a Synthetic Letter of Credit (other than a Nonwithholding Synthetic Letter of Credit) will be subject to U.S. withholding taxes (other than U.S. backup withholding tax or U.S. withholding tax for which the Issuer is fully grossed up), the Collateral Manager will advise the Issuer of such determination and the Issuer will either (A) sell the Synthetic Letter of Credit prior to the next date on which such fees are payable by the Agent Bank to the Issuer or (B) establish an account (the "**Synthetic LC Reserve Account**") with the Trustee, into which the Issuer shall deposit an amount equal to 30% of all of the fees received in respect of such Synthetic Letter of Credit which the Collateral Manager has determined there are reasonable grounds to believe will be subject to U.S. withholding taxes. Amounts deposited into the Synthetic LC Reserve Account will be invested by the Trustee in Eligible Investments as directed by the Collateral Manager. The Issuer shall withdraw funds from the Synthetic LC Reserve Account to pay (or to provide for the payment of) the related withholding taxes when due or to be applied as Interest Proceeds (i) if the Collateral Manager determines that there are no longer reasonable grounds to believe that fees in

respect of such Synthetic Letter of Credit will be subject to U.S. withholding taxes, (ii) it becomes a Nonwithholding Synthetic Letter of Credit, or (iii) on the Redemption Date or at Stated Maturity (but not on any Refinancing Date).

Securities Lending

The Collateral Manager may from time to time, so long as no Event of Default has occurred and is continuing, instruct the Trustee to lend Collateral Debt Securities to banks, broker-dealers and other financial institutions (other than an insurance company) (each such institution, a "**Securities Lending Counterparty**") that have at the time of entering into the Securities Lending Agreement (*provided* that any actively monitored Moody's rating of such counterparty on watch for upgrade shall be treated as upgraded by one rating subcategory or on watch for downgrade shall be treated as downgraded by one rating subcategory) a short-term rating of "P-1" by Moody's and "A-1+" by S&P.

The number of different Securities Lending Counterparties when added to the number of Hedge Counterparties (if any), participating entities under loan participations and Synthetic Securities Counterparties then involved in transactions with the Issuer constituting the Collateral, may not exceed 15. Such Securities Lending Counterparties may be the Placement Agent or the Collateral Manager or any of their respective Affiliates, which arrangements may create certain conflicts of interest.

Each securities lending agreement (each a "**Securities Lending Agreement**") (i) will have a term of no more than 90 days (which may be renewable; *provided* that no Securities Lending Agreement will have a term that extends beyond the Stated Maturity of the Notes), (ii) will satisfy the applicable requirements in the Indenture, (iii) will be substantially in the form of the then-current standard Bond Market Association Master Securities Loan Agreement or such other agreement (or master agreement) that satisfies the requirements of the Indenture and (iv) will have been the subject of a Rating Agency Confirmation. No more than 10% of the principal balance of Collateral Debt Securities may be subject to Securities Lending Agreements. A Securities Lending Counterparty is required to pledge as securities lending collateral in the form of Cash or securities issued or guaranteed by the U.S. Government with a maturity not greater than five years to secure its obligation to return the Collateral Debt Securities. Such securities lending collateral will be maintained at all times with the Trustee in an amount equal to at least 102% of the current market value (determined daily by the related Securities Lending Counterparty) of the loaned securities. If cash collateral is received by the Trustee, it will be invested in Eligible Investments at the direction of the Collateral Manager on behalf of the Issuer in accordance with the Securities Lending Agreement and the Issuer will be entitled to a portion of the interest on any such Eligible Investments and such portion will be paid to the Issuer. Alternatively, if securities are delivered to the Trustee as security for the obligations of the Securities Lending Counterparty under the related Securities Lending Agreement, the Collateral Manager on behalf of the Issuer will negotiate with the Securities Lending Counterparty a rate for the loan fee to be paid to the Issuer for lending the loaned Collateral Debt Securities.

The Collateral Manager shall use good faith efforts not to cause the Issuer to enter a Securities Lending Agreement unless (a) such agreement meets the requirements of Section 1058 of the Code or (b) substitute payments thereon are not subject to withholding tax (unless

customary gross-up provisions apply). In addition, in no event shall the Issuer acquire any asset primarily for the purpose of entering into a Securities Lending Agreement.

If any Rating Agency downgrades a Securities Lending Counterparty such that each related Securities Lending Agreement is no longer in compliance with the rating requirements applicable to Securities Lending Counterparties, then the Issuer, within 10 Business Days of becoming aware thereof, will take one of the following actions:

(i) terminate each Securities Lending Agreement with such Securities Lending Counterparty;

(ii) obtain a guarantee of the Securities Lending Counterparty's obligations under each such Securities Lending Agreement or Agreements from a counterparty that satisfies the then current rating criteria of the Rating Agencies; *provided, however* that Rating Agency Confirmation has been received from S&P with respect to such guarantee;

(iii) reduce the percentage of the Collateral Debt Securities lent to the affected Securities Lending Counterparty so that each such Securities Lending Agreement, together with all other Securities Lending Agreements, is in compliance with the requirements relating to the credit ratings of Securities Lending Counterparties; or

(iv) take such other steps as each Rating Agency that has reduced its rating of such Securities Lending Counterparty may require to cause such Securities Lending Counterparty's obligations under each Securities Lending Agreement to be treated by such Rating Agency as if such obligations were owed by a counterparty having a rating at least equivalent to the rating that was assigned by such Rating Agency to the affected Securities Lending Counterparty immediately prior to its rating being reduced.

Securities lending collateral will not be included as Collateral Debt Securities for purposes of making any determination based on the composition or Aggregate Principal Balance of the Collateral Debt Securities nor will such funds be available to make payments on the Securities until the occurrence of an "event of default" (as defined in the Securities Lending Agreement), at which time the Collateral Debt Securities loaned pursuant to such agreement will be treated as having a principal balance equal to the principal balance of the related securities lending collateral.

The Hedge Agreements

After the Closing Date, the Issuer may enter into interest rate swaps, interest rate caps and other similar transactions pursuant to standard ISDA documentation (each such swap, cap or similar transaction, a "**Hedge Agreement**"), subject to Rating Agency Confirmation and the consent of a Majority of the Controlling Class (*provided* that the Issuer and the Hedge Counterparty execute the ISDA Credit Support Annex at the time they enter into the Hedge Agreement). The Issuer will not enter into any Hedge Agreements the payments on which are subject to withholding tax imposed by any jurisdiction unless the applicable Hedge Counterparty agrees to customary withholding tax gross-up provisions.

USE OF PROCEEDS

The proceeds from the issuance and sale of the Notes are expected to be applied by the Issuer to (i) purchase, on the Closing Date, and to repay financing used to purchase, at least U.S.\$280,700,000 (including any amortized amounts and the Aggregate Unfunded Commitment Amount) in Aggregate Principal Balance (as of the respective acquisition and commitment dates of such Collateral Debt Securities) of Collateral Debt Securities, (ii) pay organizational expenses and the expenses of the issuance and offering of the Securities and (iii) fund the Revolver Funding Reserve Amount, if necessary, the Synthetic Security Reserve Amount, if necessary, and the Reserve Amount referred to below. The remaining net proceeds from the issuance and sale of the Notes, which are expected to be approximately U.S.\$118,800,000, will be used on or after the Closing Date to purchase the remainder of the portfolio of Collateral Debt Securities. U.S.\$1,100,000 (the "**Reserve Amount**") will be retained by the Trustee from the proceeds of the issuance of the Securities on the Closing Date for deposit in the Reserve Account. The fees and expenses (including, without limitation, the legal fees and expenses of counsel to the Issuer, the Placement Agent and the Collateral Manager and the fees payable to the Placement Agent or its Affiliates in connection with the placement of the Securities), are expected to be approximately U.S.\$14,400,000. In addition, the Issuer will pay to the Placement Agent the Senior Deferred Structuring Fee on each Payment Date on or prior to the Payment Date in July 2011 and, if the Maturity occurs prior to July 2011, the Structuring Fee Make Whole Amount. The Issuer will also pay to the Placement Agent the Warehouse Accrued Interest on each date after the Closing Date on which it is payable. It is expected that the total expenses relating to the application for admission of the Notes to the Official List of the Irish Stock Exchange and to trading on its regulated market will be approximately €14,000.

MATURITY AND PREPAYMENT CONSIDERATIONS

The Stated Maturity of the Notes is the Payment Date in July 2021. "**Average life**" refers to the average amount of time 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 actual maturities of the Rated Notes are expected to occur prior to the Stated Maturity. The actual average lives of the Rated Notes will be determined by the amount and frequency of principal payments, which are dependent upon, among other things, the amount of sinking fund payments and any other payments received at or in advance of the scheduled maturity of Collateral Debt Securities (whether through sale, maturity, redemption, default or other liquidation or disposition and the extent to which such payments are reinvested (during and after the Reinvestment Period) in other Collateral Debt Securities. The actual average lives and actual maturities of the Rated Notes will be affected by the financial conditions of the issuers of the underlying Collateral Debt Securities and the characteristics of such securities, including the existence and frequency of exercise of any optional or mandatory prepayment or redemption features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities, and the frequency of tender or exchange offers for such Collateral Debt Securities. Substantially all of the Collateral Debt Securities are expected to be subject to sinking fund payments, voluntary prepayment or optional redemption by the issuer of such securities. Any disposition of a Collateral Debt Security or purchase of a substitute Collateral Debt Security may change the composition and characteristics of the Collateral Debt Securities and the rate of payment thereon, and, accordingly, may affect the actual average lives of the

Rated Notes. The rate of future defaults and the amount and timing of any Cash realization from Defaulted Securities also will affect the maturity and average lives of the Rated Notes. The ability of the Collateral Manager to reinvest Principal Proceeds in Collateral Debt Securities meeting the Investment Criteria will also affect the average lives of the Rated Notes.

THE COLLATERAL MANAGER

The information appearing in this section has been prepared by Symphony Asset Management LLC and has not been independently verified by the Issuer or the Placement Agent. Accordingly, notwithstanding anything to the contrary herein, the Issuer and the Placement Agent do not assume any responsibility for the accuracy, completeness or applicability of such information.

General

Certain advisory and administrative functions with respect to the Collateral will be performed by Symphony as the Collateral Manager under the Collateral Management Agreement to be entered into on or prior to the Closing Date between the Issuer and the Collateral Manager. Certain administrative duties of the Issuer will be performed for the Issuer, or the Collateral Manager on behalf of the Issuer, with respect to the Collateral, including the performance of certain calculations with respect to the Collateral Quality Tests, the Interest Reinvestment Test and the Coverage Tests, by Virtus Group, LP, as "**Collateral Administrator**" subject, in each case, to the Collateral Administrator's receipt from the Collateral Manager of information with respect to the Collateral that is not contained in the Collateral database under the agreement to be entered into on or prior to the Closing Date among the Issuer, the Collateral Manager and Virtus Group, LP (the "**Collateral Administration Agreement**").

In accordance with the Collateral Quality Tests, the Interest Reinvestment Test and the Coverage Tests, which tests are being performed on the Collateral by the Collateral Administrator, and other requirements set forth in the Indenture, and in accordance with the provisions of the Collateral Management Agreement, the Collateral Manager will select the Collateral Debt Securities and will instruct the Trustee with respect to any disposition or tender of a Collateral Debt Security and investment in Eligible Investments. The Collateral Manager will also be responsible for advising the Issuer with respect to entry into Securities Lending Agreements. The Issuer may purchase securities from, sell securities to, and enter into Securities Lending Agreements with, Affiliates of the Collateral Manager acting as principal and other clients of the Collateral Manager and its Affiliates. See "Risk Factors—Conflicts of Interest Involving the Collateral Manager."

Symphony Asset Management is located at 555 California Street, San Francisco, California 94104 and specializes in the management of equity and debt strategies including Senior Loan portfolios. Symphony, a registered investment adviser, commenced operations in 1994 and had approximately U.S.\$8.9 billion in assets under management as of March 31, 2007. Symphony's clients range from tax-exempt institutions such as pension funds and university endowments, to taxable investors such as qualified private individuals and mutual-fund distributors who outsource asset management. Symphony offers a diverse group of products to meet the diverse needs of such clientele. Symphony is a wholly owned subsidiary of Nuveen Investments, Inc. ("**Nuveen**").

Nuveen provides high-quality investment services designed to help secure the long-term goals of institutions and high-net-worth investors as well as the consultants and financial advisors who serve them. Nuveen markets its highly specialized investment teams, each with its

own brand name and area of expertise: NWQ, specializing in value-style equities; Nuveen, managing fixed-income investments; Santa Barbara, committed to growth equities; Tradewinds, specializing in global value equities; Rittenhouse, focused on "blue-chip" growth equities; and Symphony, with expertise in alternative investments as well as equity and income portfolios. In total, Nuveen manages \$162 billion in assets. Nuveen is listed on The New York Stock Exchange and trades under the symbol "JNC."

On June 20, 2007, Nuveen announced that it had entered into a definitive Agreement and Plan of Merger ("**Merger Agreement**") to be acquired by an investor group majority-led by Madison Dearborn Partners, LLC. Madison Dearborn Partners, LLC is a private equity investment firm based in Chicago, Illinois. The investor group's financial advisors and investors include Merrill Lynch and Merrill Lynch Global Private Equity, Wachovia and Wachovia Capital Partners, LLC, Citi, Deutsche Bank and Deutsche Bank Investment Partners and Morgan Stanley. The merger is expected to be completed by the end of the year, subject to customary conditions, including obtaining the approval of Nuveen's stockholders, obtaining necessary fund and client consents sufficient to satisfy the terms of the Merger Agreement and expiration of certain regulatory waiting periods. The obligation of the investor group to consummate the merger is not conditioned on its obtaining financing. The Merger Agreement includes a "go shop" provision through July 19, 2007 during which Nuveen may actively solicit and negotiate competing takeover proposals. There can be no assurance that the merger described above (the "**Madison Dearborn Transaction**") will be consummated as contemplated or that necessary shareholder approvals will be obtained.

The Collateral Manager has advised the Issuer that it and/or one or more of its Affiliates is expected to purchase at least U.S.\$1,000,000 of the Subordinated Notes on the Closing Date. Neither the Collateral Manager nor any of its Affiliates is required to retain any of such Subordinated Notes.

Key Personnel

The names of the principal employees of Symphony who may initially be involved in the selection and management of the Collateral Debt Securities and their principal occupations during the past five years are listed below. There can be no assurance that such persons will continue to be employed by Symphony, or if so employed, be involved in the management of the Collateral Debt Securities and in carrying out the other obligations of Symphony under the Collateral Management Agreement during the term thereof.

Gunther Stein, Director of Fixed Income Strategies

Gunther is the Director of Fixed Income Strategies at Symphony Asset Management. His responsibilities include portfolio management, trading and research for all Symphony's fixed-income strategies. Prior to joining Symphony in 1999, Gunther was a high-yield portfolio manager at Wells Fargo, where he managed a team of five analysts. Gunther joined Wells Fargo in 1993 as an associate in its Loan Syndications & Leveraged Finance Group after completing its credit-management training program. Previously, Gunther worked for First Interstate Bank as a euro-currency deposit trader. He also worked for Standard Chartered Bank in Mexico City and

Citibank Investment Bank in London. Gunther received an MBA from the University of Texas at Austin and a BA in Economics from the University of California at Berkeley.

Lenny Mason, CPA, Portfolio Manager

Lenny is a Portfolio Manager for Symphony Asset Management's Fixed Income Group. His responsibilities include portfolio management for Symphony's high yield and bank loan strategies and credit research for its fixed income strategies. Prior to joining Symphony, Lenny was a Managing Director in FleetBoston's Technology & Communications Group where he headed its five-member Structuring and Advisory Team. Previously, Lenny worked at Wells Fargo Bank's Corporate Banking Group focused on leveraged transactions and for Coopers & Lybrand as an auditor. Lenny received an MBA in Finance from the University of Chicago and a BS in Accounting from Babson College. He has also attained the Certified Public Accountant designation.

Harish Lakhani, Director of Fixed Income Systems

Harish is the Director of Fixed Income Systems at Symphony Asset Management. His responsibilities include developing software systems to support portfolio and risk management, trading and research activities for Symphony's fixed-income strategies. Prior to joining Symphony, Harish was Managing Director of IT for the Asset Management Products and Services Group at Charles Schwab & Co. Previously, Harish founded TechSelect, an executive search firm serving the IT hiring needs of the financial sector. While managing TechSelect, he built Symphony's fixed-income software systems as a consultant. He worked for seven years at Barra, Inc. where he was Senior Product Manager of Equity Trading Systems. Harish received an MS in Advanced Information Technology and a BS in Computing Science from Imperial College of Science and Technology, University of London, U.K.

Sutanto Widjaja, Co-Portfolio Manager

Sutanto is a Co-Portfolio Manager for Symphony Asset Management's Fixed Income Group. His responsibilities include portfolio management for Symphony's convertible arbitrage strategies and credit and equity research for its fixed income strategies. Prior to joining Symphony, Sutanto was Manager of Finance at WineShopper.com. Previously, Sutanto worked as an Investment Banking Analyst in the Mergers & Acquisitions Group at Robertson, Stephens & Company, and an Analyst at Accenture. Sutanto received an MBA from the Stanford Graduate School of Business and a BS in Electrical Engineering and Computer Science from the University of California at Berkeley.

Ronald Yee, CPA, Co-Portfolio Manager and Trader

Ronald is a Co-Portfolio Manager and Trader for Symphony Asset Management's Fixed Income Group. His responsibilities include portfolio management and trading for Symphony's convertible arbitrage strategies and credit and equity research for its fixed income strategies. Prior to joining Symphony, Ronald was an Associate at Silverback Asset Management, a convertible arbitrage firm. Previously, Ronald worked at Morgan Stanley as a Manager in the Credit Derivatives Controllers Group and as a consultant in PricewaterhouseCoopers' Financial Advisory Services Group. Ronald received an MBA from Duke University's Fuqua School of

Business and a BBA in Accounting from The College of William and Mary. He has also attained the Certified Public Accountant designation.

Scott Caraher, Associate Portfolio Manager and Trader

Scott is an Associate Portfolio Manager and Trader for Symphony Asset Management's Fixed Income Group. His responsibilities include portfolio management and trading for Symphony's bank loan strategies and credit and equity research for its fixed income strategies. Prior to joining Symphony, Scott was an Investment Banking Analyst in the Industrial Group at Deutsche Banc Alex Brown in New York. Scott received a BS in Finance from Georgetown University.

Jenny Rhee, Associate Portfolio Manager and Trader

Jenny is an Associate Portfolio Manager and Trader for Symphony Asset Management's Fixed Income Group. Her responsibilities include portfolio management and trading for Symphony's high yield strategies and credit and equity research for its fixed income strategies. Prior to joining Symphony, Jenny was an Investment Banking Analyst with the Equity Research Group at Epoch Partners and an Investment Banking Analyst in the Financial Institutions Group at Credit Suisse First Boston. Jenny received her BS in Business Administration from the University of California at Berkeley.

Joshua Lam, Convertible Bond Trader

Joshua is a Convertible Bond Trader for Symphony Asset Management's Fixed Income Group. His responsibilities include executing convertible bond trades, delta hedging, and futures trading. Prior to joining Symphony, Joshua was a convertible bond trader and assistant portfolio manager at Polaris Advisors, L.P. in Pennsylvania. Previously, he was an equity/index option trader at Q.E.D. Capital, LLC in Chicago. Joshua received his BA in Communications from the University of Pennsylvania.

Himani Trivedi, Research Analyst

Himani is a Research Analyst for Symphony Asset Management's Fixed Income Group. Her responsibilities include structured products management, quantitative modeling and credit research for its fixed income strategies. Prior to joining Symphony, Himani worked with the Corporate Market Risk Management group at Washington Mutual Bank and as an Assistant Manager at ICICI Bank in India. Himani has a Masters in Financial Engineering from the Haas School of Business at University of California at Berkeley. She received her MBA in Finance and a BS in Chemical Engineering from Gujarat University in India.

Christopher Beard, CFA, Corporate Securities Analyst

Christopher is a Corporate Securities Analyst for Symphony Asset Management's Fixed Income Group. His responsibilities include credit and equity research for its fixed income strategies. Prior to joining Symphony, Christopher was an Analyst with Coast Asset Management in its Convertible Arbitrage Group and an Associate in the Assurance and Business Advisory Group at PriceWaterhouseCoopers. Christopher received his BS in Finance and

Accounting from Indiana University's Kelley School of Business. He is also a CFA Charterholder.

James Kim, Corporate Securities Analyst

James is a Corporate Securities Analyst at Symphony Asset Management's Fixed Income Group. His responsibilities include credit and equity research for its fixed income strategies. Prior to joining Symphony, James was an Associate with Greywolf Capital in its distressed investments group. Previously, he was a Research Analyst for Watershed Asset Management, and an Investment Banking Analyst in the Power & Energy Group at Goldman Sachs. James received his BS in Economics from the University of Pennsylvania's Wharton School of Business.

Bernard Wong, CPA, CFA - Corporate Securities Analyst

Bernard is a Corporate Securities Analyst for Symphony Asset Management's Fixed Income Group. His responsibilities include credit and equity research for its fixed income strategies. Prior to joining Symphony, Bernard was an Analyst with KBC Alternative Investment Management in their Credit Arbitrage Group. Previously, he was a Finance Manager at Gap Inc. and an Investment Banking Associate in the Leveraged Finance Group at Lehman Brothers. Bernard received his MBA from the University of Chicago and a BS in Business Administration from the Haas School of Business at University of California at Berkeley. He has also attained the Certified Public Accountant designation and is a CFA Charterholder.

Jose Galindo, Corporate Securities Associate Analyst

Jose is a Corporate Securities Associate Analyst for Symphony Asset Management's Fixed Income Group. His responsibilities include supporting the Corporate Securities Analysts and credit and equity research for its fixed income strategies. Prior to joining Symphony, Jose was as an Investment Banking Analyst in the Technology Group at Merrill Lynch. Jose received his BA in Business Economics from the University of California, Los Angeles.

Phillip Graf, CFA, Corporate Securities Associate Analyst

Phillip is a Corporate Securities Associate Analyst for Symphony Asset Management's Fixed Income Group. His responsibilities include supporting the Corporate Securities Analysts and credit and equity research for its fixed income strategies. Prior to joining the Fixed Income Group, Phillip was a Portfolio Accountant at Symphony Asset Management. Phillip received his BS in Commerce and Business Administration from the University of Alabama. He is also a CFA Charterholder.

Elizabeth Stowers, Fixed Income Assistant

Elizabeth is a Fixed Income Assistant at Symphony Asset Management. Her responsibilities include project support, databases management, report preparation, maintenance of marketing materials, assistance with compliance, and additional support as required by the fixed income team and operations. Elizabeth received her BA in History from Yale University.

Erica Gagliardi, Fixed Income Assistant

Erica is a Fixed Income Assistant at Symphony Asset Management. Her responsibilities include project support, databases management, report preparation, maintenance of marketing materials, assistance with compliance, and additional support as required by the fixed income team and operations. Erica received her BS in Finance from Georgetown University.

THE COLLATERAL MANAGEMENT AGREEMENT

The Collateral Manager will not direct the Trustee to acquire a Collateral Debt Security from, or sell a Collateral Debt Security to, the Collateral Manager, any of its Affiliates or any account or portfolio for which the Collateral Manager or any of its Affiliates serve as investment advisor, unless (i) the Issuer has received from the Collateral Manager such information relating to such acquisition or sale as the Issuer reasonably requires, (ii) the Issuer has approved in writing such acquisition or sale, (iii) such acquisition or sale is made in accordance with all applicable laws (including, without limitation, the Investment Advisers Act), (iv) such purchase or sale is done in an arm's-length transaction and the price is approximately equal to the Market Value or is verified as reasonable by an independent third party not Affiliated with the Collateral Manager and (v) the Collateral Manager does not receive any compensation in connection with such transaction.

Notwithstanding any other term or provision of the Collateral Management Agreement or the Indenture to the contrary, but subject to the second and third sentences of this paragraph, the Collateral Manager will not be liable to the Issuer, the Holders or any other Person for any losses, costs, liabilities or claims incurred as a result of the acts or omissions by the Collateral Manager under or pursuant to the Collateral Management Agreement or the Indenture or any other document or agreement relating thereto, except by reason of acts or omissions constituting willful misconduct or gross negligence in the performance of, or reckless or intentional disregard with respect to, its obligations thereunder. United States Federal and state securities laws may impose liability under certain circumstances on persons who act in good faith. Nothing in the Collateral Management Agreement will constitute a waiver or limitation of any rights which the Issuer or any Holder of Securities may have under any applicable Federal or state securities laws. The Collateral Manager will be entitled to indemnification by the Issuer under certain circumstances, but only out of funds available in accordance with the Priority of Payments.

Any assignment (as defined in the Investment Advisers Act) of the Collateral Management Agreement to any Person, in whole or in part, by the Collateral Manager shall be deemed null and void unless (i) it is consented to in writing by the Issuer, (ii) it is consented to in writing by a Majority of the Subordinated Notes, (iii) Rating Agency Confirmation has been obtained and (iv) it has not been disapproved in writing by a Supermajority of each Class of the Rated Notes (voting separately) within 30 days of notice of such assignment. The Issuer will acknowledge and agree that no consent or other action shall be required, however, if the Collateral Manager (or any parent company) enters into any consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, another entity and, at the time of such consolidation, merger, amalgamation or transfer the resulting, surviving or transferee entity assumes all the obligations of Symphony as the Collateral Manager and generally and the other entity is solely a continuation of the Collateral Manager in another corporate or similar form and has substantially the same staff and that consummation of such action would not result in a Key Manager Event. In connection with the proposed change in control of Nuveen pursuant to the Madison Dearborn Transaction, on or prior to the Closing Date the board of directors of the Issuer is expected to consent to the deemed assignment of the Collateral Management Agreement.

The Collateral Management Agreement may not be amended (other than in respect of an amendment or modification of the type that may be made to the Indenture without consent of the Holders of the Notes or an amendment to the tax-related guidelines annexed to such agreement) unless a Majority of the Subordinated Notes and a Majority of the Controlling Class (each Class voting separately) has consented and Rating Agency Confirmation has been obtained.

Removal; Resignation; Appointment of a Successor

The Collateral Manager may be removed for cause upon 30 days' prior written notice by the Issuer at the direction of either a Majority of the Subordinated Notes or a Supermajority of the Controlling Class; *provided*, that, as long as any of the Notes are Outstanding, notice of such removal will have been given to the Holders of each Class of Notes.

For purposes of the Collateral Management Agreement, "cause" will mean:

(i) the Collateral Manager shall willfully violate or willfully breach any material provision of the Collateral Management Agreement or the Indenture applicable to it;

(ii) the Collateral Manager shall materially breach any provision of the Collateral Management Agreement or any terms of the Indenture applicable to it, and shall not cure such breach (if capable of being cured) within 30 days of its becoming aware of, or its receipt of notice from the Issuer or the Trustee of, such breach;

(iii) the failure of any representation, warranty, certification or statement made or delivered by the Collateral Manager in or pursuant to the Collateral Management Agreement or the Indenture to be correct in any material respect when made which failure is not corrected by the Collateral Manager within 30 days of its becoming aware of, or its receipt of notice from the Issuer or the Trustee of, such failure;

(iv) the Collateral Manager is wound up or dissolved or a bankruptcy or insolvency event occurs with respect to it;

(v) the occurrence and continuation of an Event of Default under the Indenture that primarily results from any breach by the Collateral Manager of its duties under the Collateral Management Agreement or under the Indenture;

(vi) the occurrence of an act by the Collateral Manager or any officer or director thereof that constitutes fraud or criminal activity in the performance of its obligations under the Collateral Management Agreement, the Indenture or the Collateral Administration Agreement or the Collateral Manager or any officer or director thereof being indicted for a criminal offense materially related to the asset management business of the Collateral Manager;

(vii) if the Class A Overcollateralization Ratio is less than 100% on two consecutive Determination Dates; or

(viii) the occurrence of a Key Manager Event with respect to the Collateral Manager.

Any Collateral Manager Securities will be disregarded and deemed not to be Outstanding with respect to a vote to (1) terminate the Collateral Management Agreement, (2) remove or replace the Collateral Manager, (3) approve a successor Collateral Manager, if the Collateral Manager is being terminated pursuant to the Collateral Management Agreement, (4) waive an event of default by the Collateral Manager under the Collateral Management Agreement or (5) increase the rights or reduce the responsibilities of the Collateral Manager under the Collateral Management Agreement.

Notwithstanding any other provision of the Collateral Management Agreement, the Collateral Manager may resign upon 90 days' prior written notice to the Issuer and the Trustee; *provided, however*, that the Collateral Manager will have the right to resign immediately upon the effectiveness of any material change in applicable law or regulations which renders the performance by the Collateral Manager of its duties under the Collateral Management Agreement or under the Indenture to be a violation of such law or regulation.

The Collateral Manager may be removed immediately upon written notice by the Issuer in the event that the Issuer determines in good faith that the appointment of the Collateral Manager under the Collateral Management Agreement has (i) caused or required the Issuer to become registered as an investment company under the 1940 Act, (ii) required the pool of Collateral to be registered as an investment company under the 1940 Act, (iii) caused the Issuer to be engaged in the conduct of a trade or business in the United States for United States Federal income tax purposes or (iv) otherwise caused adverse tax consequences to the Issuer.

Notwithstanding any of the foregoing, no resignation or removal of the Collateral Manager, for cause or without cause, will be effective until such time as a successor Collateral Manager has been appointed and has accepted all of the Collateral Manager's duties and obligations in writing.

Upon any resignation or removal of the Collateral Manager, the Issuer, at the direction of a Majority of the Subordinated Notes, will appoint as successor Collateral Manager an institution that:

- (i) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement;
- (ii) is legally qualified and has the capacity to act as Collateral Manager;
- (iii) does not cause or result in the Issuer becoming, or require the pool of Collateral to be registered as, an investment company under the 1940 Act;
- (iv) does not cause the Issuer to be engaged in a United States trade or business for United States tax purposes;
- (v) with respect to which Rating Agency Confirmation has been obtained; and
- (vi) has not been disapproved by a Supermajority of the Controlling Class within 30 days of notice of such appointment.

No compensation payable to a successor Collateral Manager from payments on the Collateral will be greater than that permitted to the Collateral Manager under the Collateral Management Agreement without the prior written consent of a Majority of each Class of Notes, voting separately by Class. Upon expiration of the applicable notice periods with respect to termination specified in the Collateral Management Agreement, all authority and power of the Collateral Manager under the Collateral Management Agreement, whether with respect to the Collateral or otherwise, will automatically and without action by any Person pass to and be vested in the successor institution upon the acceptance by such institution of its appointment under the Collateral Management Agreement. The Issuer, the Trustee and the successor will take such action (or cause the outgoing Collateral Manager to take such action) consistent with the Collateral Management Agreement and as will be necessary to effect any such succession. If no successor Collateral Manager is appointed within 90 days (or, in the event of a change in applicable law or regulation which renders the performance by the Collateral Manager of its duties under the Collateral Management Agreement or the Indenture to be a violation of such law or regulation, within 30 days) following the termination or resignation of the Collateral Manager, then a Supermajority of the Controlling Class will have 30 days to designate a successor Collateral Manager for approval by a Majority of the Subordinated Notes. If (a) such successor Collateral Manager has agreed in writing to assume all of the Collateral Manager's duties and obligations under this Agreement, (b) such successor Collateral Manager has not been disapproved by a Majority of the Subordinated Notes within 30 days after notice of appointment of the successor Collateral Manager and (c) such successor Collateral Manager satisfies the requirement in clauses (i) through (v) above, then such proposed successor Collateral Manager shall be appointed as the Collateral Manager. If a Majority of the Subordinated Notes objects to such successor Collateral Manager (or any of the other requirements in the immediately preceding sentence is not satisfied or no successor is designated by the Controlling Class) within such 30 day period, then the Issuer, the Collateral Manager or any Holder may petition a court of competent jurisdiction to appoint a replacement Collateral Manager.

Compensation of the Collateral Manager

As compensation for its services under the Collateral Management Agreement, the Collateral Manager will be entitled to receive the Collateral Management Fee, which will consist of the Senior Collateral Management Fee, the Subordinated Collateral Management Fee, the Incentive Management Fee and without duplication, the Cumulative Deferred Management Fee.

The "**Senior Collateral Management Fee**" will be payable on each Payment Date to the extent of the funds available for such purpose in accordance with the Priority of Payments. The Senior Collateral Management Fee is payable to the Collateral Manager in arrears, on each Payment Date (a) on or prior to the Payment Date in July 2011, in an amount (as certified by the Collateral Manager to the Trustee) equal to 0.05% *per annum* (calculated on the basis of a 360-day year and the actual number of days elapsed during the applicable Due Period) of the Fee Basis Amount with respect to such Payment Date and (b) after the Payment Date in July 2011, in an amount (as certified by the Collateral Manager to the Trustee) equal to 0.15% *per annum* (calculated on the basis of a 360-day year and the actual number of days elapsed during the applicable Due Period) of the Fee Basis Amount with respect to such Payment Date

The "**Subordinated Collateral Management Fee**" will be payable on each Payment Date to the extent of funds available for such purpose in accordance with the Priority of Payments. The Subordinated Collateral Management Fee is payable to the Collateral Manager in arrears on each Payment Date in an amount (as certified by the Collateral Manager to the Trustee) equal to 0.35% *per annum* (calculated on the basis of a 360-day year and the actual number of days elapsed during the applicable Due Period) of the Fee Basis Amount with respect to such Payment Date.

To the extent they are not paid on any Payment Date when due, the Senior Collateral Management Fee and the Subordinated Collateral Management Fee will be deferred and will be payable on subsequent Payment Dates in accordance with the Priority of Payments. If any Senior Collateral Management Fee is not paid on a Payment Date, such deferred fee will not accrue interest. If any Subordinated Collateral Management Fee is not paid on a Payment Date by operation of the Priority of Payments, such deferred fee will accrue interest until paid at a rate equal to the Interest Rate applicable to the Class E Junior Notes.

The Collateral Manager will also receive an "**Incentive Management Fee**" payable on each Payment Date in an amount determined pursuant to the Priority of Payments. The Incentive Management Fee will be payable on each Payment Date, but will not be payable unless the payments on the Subordinated Notes issued on the Closing Date equal an Internal Rate of Return of 12.0% on such Subordinated Notes for the period from the Closing Date to such Payment Date, which will be calculated based on the distributions made on the Subordinated Notes issued on the Closing Date and without taking into account distributions made on any additional Subordinated Notes issued after the Closing Date. Notwithstanding the foregoing, if the Collateral Manager has resigned or is removed as Collateral Manager prior to the payment in full of any accrued and unpaid Incentive Management Fee, if any, the Incentive Management Fee will be payable to the successor Collateral Manager appointed under the Collateral Management Agreement and not to the former Collateral Manager.

The Collateral Manager may, in its sole discretion, elect to defer payment of any or all of its Subordinated Collateral Management Fee otherwise due on any Payment Date (the "**Current Deferred Management Fee**"). The Current Deferred Management Fee for such Payment Date will be distributed as Interest Proceeds or, at the option of the Collateral Manager, deposited into the Collection Account as Principal Proceeds for investment in Collateral Debt Securities and/or Eligible Principal Investments. After such Payment Date, the Current Deferred Management Fee will be added to the cumulative amount of the Subordinated Collateral Management Fee which the Collateral Manager has elected to defer on prior Payment Dates and which has not been repaid (the "**Cumulative Deferred Management Fee**"). The Cumulative Deferred Management Fee will be payable, without interest, on any subsequent Payment Date at the election of the Collateral Manager to the extent of funds available for such purpose in accordance with the Priority of Payments.

THE COLLATERAL ADMINISTRATION AGREEMENT

Pursuant to a collateral administration agreement (the "**Collateral Administration Agreement**") among the Issuer, the Collateral Manager and Virtus Group, LP, as collateral administrator (the "**Collateral Administrator**"), the Issuer will retain the Collateral Administrator to compile certain reports with respect to the Collateral Debt Securities and any Equity Securities in accordance with the Collateral Administration Agreement. The Issuer will compensate the Collateral Administrator for services rendered by it under the Collateral Administration Agreement in accordance with the Priority of Payments.

The Collateral Administration Agreement may be terminated without cause by any party upon not less than 90 days' prior written notice. At the option of the Collateral Manager or the Issuer, the Collateral Administration Agreement may be terminated for cause upon ten days' written notice (i) if the Collateral Administrator shall default in the performance of its duties under the agreement and shall not cure such default within 30 days (or, if such default cannot be cured with 30 days, if the Collateral Administrator fails to give assurance within 30 days that the default will be cured as reasonably satisfactory to the Collateral Manager), (ii) if the Collateral Administrator is dissolved or liquidated or (iii) upon certain events of bankruptcy or insolvency with respect to the Collateral Administrator. Unless the Collateral Administrator is removed for cause or unless the Issuer fails to pay the Collateral Administrator compensation for its services or any indemnity payment or expense reimbursement payment within 30 days of receipt of request for payment or reimbursement and does not cure such failure within 60 days, no removal or resignation of the Collateral Administrator will be effective until a successor collateral administrator reasonably acceptable to the Collateral Manager and the Issuer has agreed in writing to assume all of the Collateral Administrator's duties and obligations pursuant to the Collateral Administration Agreement.

THE ISSUER

General

Symphony CLO IV, Ltd. was incorporated as an exempted company with limited liability on March 7, 2007 in the Cayman Islands under the Companies Law (2007 Revision) of the Cayman Islands with registered number 183270. The registered office of Symphony CLO IV, Ltd. is at the offices of Maples Finance Limited, P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands, telephone number (345) 945 7099.

The Issuer has been organized as a special-purpose vehicle, whose business is restricted to the activities contemplated by the documents governing this transaction.

The Notes are limited recourse obligations of the Issuer. The Securities are not obligations of the Trustee, the Collateral Manager, the Placement Agent or any of their respective Affiliates or any of the directors, officers or shareholders of such Persons.

The authorized share capital of Symphony CLO IV, Ltd. is U.S.\$50,000, comprising 50,000 ordinary shares with a par value of U.S.\$1.00 per share (the "**Issuer Ordinary Shares**"),

of which 250 have been issued and are fully paid. All of the issued and outstanding Issuer Ordinary Shares are held by the Administrator in trust for charitable purposes pursuant to a declaration of trust.

Capitalization

The initial proposed capitalization and indebtedness of Symphony CLO IV, Ltd. as of the Closing Date after giving effect to the issuance of the Securities and the Issuer Ordinary Shares (before deducting placement fees and expenses of the offering of the Securities) is as set forth below:

	<u>Amount</u>
Class A Senior Notes	U.S.\$300,000,000
Class B Senior Notes	U.S.\$32,000,000
Class C Mezzanine Notes	U.S.\$24,000,000
Class D Mezzanine Notes	U.S.\$12,500,000
Class E Junior Notes	U.S.\$13,000,000
Subordinated Notes	U.S.\$31,000,000
Total Debt	U.S.\$412,500,000
Issuer Ordinary Shares	U.S.\$250
<u>Total Equity</u>	<u>U.S.\$250</u>
Total Capitalization	U.S.\$412,500,250

Business

The Issuer's objects, as set out in clause 3 of its Memorandum and Articles of Association, are unrestricted and therefore include the issuance of the Securities and investment in financial assets. Other than those activities incidental to its incorporation and the acquisition of Collateral Debt Securities prior to the Closing Date and activities incidental thereto, the Issuer has not previously carried on any business or activities. The Issuer will not undertake any business other than the issuance of the Securities pursuant to the Indenture and other related activities and transactions and, in the case of the Issuer, the issuance of the Issuer Ordinary Shares and other related activities and transactions including the management of the Collateral and other related transactions. The Issuer will not have any subsidiaries except wholly-owned subsidiaries to hold certain investments as provided in the Indenture. Payments on the Collateral Debt Securities will be the principal source of the Issuer's Income.

Maples Finance Limited, a licensed trust company incorporated in the Cayman Islands or any successor thereto, will act as the administrator of the Issuer (the "**Administrator**") pursuant to an amended and restated administration agreement (the "**Administration Agreement**"). The office of the Administrator will serve as the general business office of the Issuer. Through this office and pursuant to the terms of the Administration Agreement, the Administrator will perform various management functions on behalf of the Issuer, including communications with shareholders and the general public, and the provision of certain clerical, administrative and other services until termination of the Administration Agreement. The Administrator will receive

various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses.

The Administrator will be subject to the overview of the Issuer's Board of Directors. The appointment of the Administrator may be terminated by the Issuer's giving written notice following the occurrence of certain events specified in the Administration Agreement. The Administrator may resign or be terminated upon three months' prior written notice (or, upon the occurrence of certain events, 14 days prior written notice) to the Issuer, in the case of resignation, or to the Administrator, in the case of termination. Upon the occurrence of either of such events, the Issuer will promptly appoint a successor administrator.

The Administrator's principal office is P.O. Box 1093GT, Boundary Hall, Cricket Square, George Town, Grand Cayman, Cayman Islands.

The Issuer is not required by Cayman Islands law, and the 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.

Directors

The directors of the Issuer are Andrew Dean and Christopher Watler, who are employees of the Administrator and may be contacted at the address of the Administrator.

Subject to the contracting restrictions imposed upon the Issuer by the Indenture, the directors of the Issuer have the power to borrow on behalf of the Issuer to the extent that such powers are not required to be exercised by the Holders of the Subordinated Notes. A director of the Issuer is not required to own any shares in the Issuer in order to qualify as a director.

INCOME TAX CONSIDERATIONS

In General

CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following summary describes the principal U.S. Federal income tax and Cayman Islands tax consequences of the purchase at initial issuance of the Securities and the ownership and disposition of the Securities to holders that hold such Securities, as applicable, as capital assets. For purposes of this section, with respect to each Class of Rated Notes, the first price at which a substantial amount of Rated Notes of such Class is sold to investors is referred to herein as the "**Issue Price**." The summary does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Securities. In particular, the summary does not address special tax considerations that may apply to certain types of taxpayers, including securities dealers, securities traders who account for their securities on a mark-to-market basis for tax purposes, financial institutions (including banks), tax-exempt investors, insurance companies, regulated investment companies, real estate investment trusts, subsequent purchasers of Securities, Persons that own (directly or indirectly) equity interests in holders of Securities and holders that purchase the Rated Notes for prices other than the respective Issue Prices of the Notes. In addition, the summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the U.S. Federal government and the Cayman Islands. In general, the summary assumes that a holder acquires Securities at original issuance (and in the case of the Rated Notes, at the applicable Issue Price) and holds such Securities as capital assets and not as part of a hedge, a straddle, or a conversion transaction within the meaning of Section 1258 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), a constructive sale transaction within the meaning of Section 1259 of the Code or an integrated transaction. The summary also assumes that the holder uses the U.S. dollar as its functional currency. Moreover, this description does not address the U.S. Federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, disposition or retirement of the Securities. The summary is based on United States and Cayman Islands tax laws, regulations, rulings and decisions in effect and available on the date of this Offering Memorandum. All of the foregoing are subject to change, which change may apply retroactively and could affect the continued validity of this summary.

The summary is included herein for general information only and there can be no assurance that the tax consequences of an investment in the Securities will be favorable or that such consequences to a particular investor will be as described herein.

As used in this section, the term "**U.S. holder**" means a beneficial owner of a Security who is (i) a citizen or resident of the United States, (ii) an entity taxable as a corporation for U.S. Federal tax purposes which is created or organized in or under the laws of the United States, any state therein or the District of Columbia, (iii) an estate (other than a foreign estate defined in Section 7701(a)(31)(A) of the Code) or (iv) a trust if a court within the United States is able to exercise primary supervision over such trust's administration and one or more U.S. persons have the authority to control all substantial decisions of such trust and certain other trusts that were in existence on August 20, 1996 and that elected to continue to be treated as U.S. persons. The term "**non-U.S. holder**" means a beneficial owner (that is not a pass-through entity) of a Security who is not a U.S. holder (that is not a pass-through entity).

U.S. persons and non-U.S. persons who own an interest in a holder which is treated as a pass-through entity under the Code will generally receive the same tax treatment, with respect to the material tax consequences of their indirect ownership of the Securities, as is described herein for direct U.S. holders and non-U.S. holders, respectively. Nonetheless, such Persons should consult their tax advisors with respect to their particular circumstances, including for issues related to tax elections and information reporting requirements.

PROSPECTIVE PURCHASERS OF THE SECURITIES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL INCOME TAX AND CAYMAN ISLANDS TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SECURITIES AND THE POSSIBLE APPLICATION OF STATE, LOCAL, FOREIGN OR OTHER TAX LAWS.

U.S. Federal Tax Considerations

It is intended that the Issuer will be treated as a foreign corporation for U.S. Federal income tax purposes.

Tax Treatment of the Issuer

Schulte Roth & Zabel LLP, special U.S. Federal income tax counsel to the Issuer, will provide the Issuer with an opinion of counsel to the effect that, although there is no direct authority, the Issuer will not be engaged in a trade or business within the United States for Federal income tax purposes and, accordingly, the Issuer will not be subject to Federal income tax in the United States on its net income or to the branch profits tax. This opinion will be based on certain assumptions regarding the Issuer, including the Issuer's and the Collateral Manager's compliance with the Indenture and the Collateral Management Agreement. Prospective investors should be aware that an opinion of counsel is not binding on the U.S. Internal Revenue Service ("**IRS**") or the courts, and that no ruling will be sought from the IRS regarding the U.S. Federal income tax treatment of the Issuer. Accordingly, there can be no assurance that the IRS or a court will agree with the opinion of Schulte Roth & Zabel LLP. Thus, it is intended that the Issuer will operate in a manner such that it will not be subject to U.S. Federal income tax on its

net income and that the Issuer's contemplated activities generally are structured to minimize the risk that it would be found to be engaged in a trade or business in the United States.

If the Issuer should be treated as engaged in a trade or business in the United States, the Issuer would be potentially subject to substantial U.S. Federal income taxes. The imposition of such taxes would materially affect the Issuer's financial ability to pay principal of and interest on the Rated Notes and to make distributions on the Subordinated Notes.

Although the Issuer is generally not intended to be subject to U.S. Federal income tax on its net income, certain income derived by the Issuer, such as commitment fees or similar fees on Revolving Collateral Debt Securities, Delayed Drawdown Debt Securities or non-fully funded facilities or lending fees on a Securities Lending Agreement, may be subject to withholding taxes imposed by the United States or other countries. In addition, dividends on Equity Securities will be, fees on Synthetic Letters of Credit will likely be, and payments on certain Defaulted Securities may be, subject to United States withholding taxes.

Tax Treatment of U.S. Holders of the Rated Notes

Status of the Rated Notes. Schulte Roth & Zabel LLP will deliver an opinion that, upon the issuance of the Senior Notes and Mezzanine Notes, although there is no direct authority, the Senior Notes and the Mezzanine Notes will be characterized as debt for U.S. Federal income tax purposes and the Class E Junior Notes should be characterized as debt for U.S. Federal income tax purposes. Such opinion will assume compliance with the Indenture and other related documents. Investors should be aware that such opinion of counsel is not binding on the IRS or the courts.

The Issuer will agree and, by their purchase of the Rated Notes, holders and beneficial owners of the Rated Notes will be deemed to have agreed, to treat the Rated Notes as debt for U.S. Federal income tax purposes. If it were determined by the IRS or the courts that the Class E Junior Notes should be treated as equity for U.S. Federal income tax purposes, the tax treatment of U.S. holders of such Notes generally would be the same as the tax treatment of U.S. holders of Subordinated Notes that have not made a "QEF election," as described below under "Tax Treatment of U.S. Holders of Subordinated Notes." A U.S. holder of Class E Junior Notes should consult its own tax advisor regarding the possibility of such alternative characterization and the consequences thereof. Except as otherwise indicated, the balance of this discussion assumes that the Rated Notes, including the Class E Junior Notes, are treated as debt for U.S. Federal income tax purposes.

Interest and Discount on the Rated Notes. In general, a U.S. holder of a debt instrument is required to include payments of qualified stated interest (*i.e.*, interest which is unconditionally payable at least annually at a single fixed rate or at a floating rate that meets certain requirements) received thereon, in accordance with such holder's method of accounting, as ordinary interest income. If, however, the Issue Price of the debt instrument is less than the "Stated Redemption Price at Maturity" of such debt instrument by more than a *de minimis* amount, a U.S. holder will be considered to have purchased such debt instrument with original issue discount ("**OID**"). The "**Stated Redemption Price at Maturity**" is the sum of all payments to be received on the debt instrument other than payments of qualified stated interest. If a U.S. holder acquires a debt instrument with OID, then, regardless of such holder's method of

accounting, the holder will be required to accrue OID on a constant yield basis and include such accruals in gross income without regard to the timing of actual payments.

It is not anticipated that the Class A Senior Notes will be issued with OID. Therefore, U.S. holders of such Notes will include stated interest thereon as ordinary interest income generally from sources outside the United States, in accordance with their method of accounting.

It is anticipated that the Class B Senior Notes will be issued with OID attributable to the difference between the Issue Price and the stated principal amount of the Class B Senior Notes. A U.S. holder of a Class B Senior Note will be required to accrue and include in gross income the sum of "daily portions" of total OID on a Class B Senior Note, as ordinary interest income generally from sources outside the United States, for each day during the taxable year on which the U.S. holder held a Class B Senior Note, generally under a constant yield method, regardless of the U.S. holder's usual method of tax accounting and without regard to the timing of actual payments on such Note. The Issuer intends to accrue OID over the entire term of the Non-Call Period, although other methods of accruing such OID may be accepted by the IRS or a court. Stated interest on the Class B Senior Notes may not be deferred and will be qualified stated interest that is includible by a U.S. holder as ordinary interest income, generally from sources outside the United States, in accordance with such holder's usual method of tax accounting. Because the Class B Senior Notes provide for a floating rate of interest, the amount of qualified stated interest on such Notes will be based initially on the assumption that the floating rate in effect for the first accrual period of the Class B Senior Notes will remain constant throughout their term. To the extent such floating rate varies with respect to any accrual period, such variation shall be reflected in an increase or decrease of the amount of qualified stated interest for such period. If the Issuer in fact does not make a current interest payment on the Class B Senior Notes, all interest payable on such Notes will be treated as OID.

In the case of the Class C Mezzanine Notes, Class D Mezzanine Notes or Class E Junior Notes, if there is more than a remote likelihood that interest payments will be deferred and not paid currently on such Class of Notes, all interest payable on such Class of Notes and any discount attributable to the difference between the Issue Price and the stated principal amount of such Notes would be treated as OID. In that case, a U.S. holder would be required to include OID in ordinary income on the basis of a constant yield to maturity, whether or not such holder receives a cash payment on any payment date. The Issuer has not determined whether or not the likelihood of interest being deferred on the Class C Mezzanine Notes, Class D Mezzanine Notes or Class E Junior Notes is for this purpose remote and consequently, expects to treat interest payable on the Class C Mezzanine Notes, Class D Mezzanine Notes and Class E Junior Notes and any discount attributable to the difference between the Issue Price and the stated principal amount of the Class C Mezzanine Notes, Class D Mezzanine Notes and Class E Junior Notes, as applicable, as OID. Therefore, U.S. holders of the Class C Mezzanine Notes, Class D Mezzanine Notes or Class E Junior Notes will be required to accrue and include in gross income the sum of the "daily portions" of total OID on such Notes as ordinary interest income generally from sources outside the United States, for each day during the taxable year on which the U.S. holder held such Notes, generally under a constant yield method, regardless of such U.S. holder's method of accounting and without regard to the timing of actual payments on such Notes. The Issuer intends to accrue OID attributable to the accrual of stated interest on such Notes over the entire term of such Notes with respect to the unpaid balance thereof and, in the absence of

controlling authority, the remaining discount (if any) over the entire term of the Non-Call Period, although other methods of accruing such discount may be accepted by the IRS or a court. In accordance with this method, U.S. holders of the Class C Mezzanine Notes, Class D Mezzanine Notes or Class E Junior Notes may be required to include in gross income increasingly greater amounts of OID and may be required to include OID in advance of the receipt of cash attributable to such income.

Because the Class C Mezzanine Notes, Class D Mezzanine Notes and Class E Junior Notes provide for a floating rate of interest, the amount of OID to be accrued over the term of such Notes will be based initially on the assumption that the floating rate in effect for the first accrual period of the Notes will remain constant throughout their term. To the extent such rate varies with respect to any accrual period, such variation shall be reflected in an increase or decrease of the amount of OID accrued for such period.

Accrual of OID on the Notes, as applicable, may be subject to special rules that require use of a prepayment assumption and apply to a debt instrument the payments on which may be accelerated by reason of prepayments of other obligations securing that instrument.

As a result of the complexity of the OID rules, each U.S. holder of a Class B Senior Note, Class C Mezzanine Note, Class D Mezzanine Note and/or Class E Junior Notes should consult its own tax advisor regarding the impact of the OID rules on its investment in such Note.

Premium on the Rated Notes. In general, if the Issue Price of a Rated Note exceeds the Stated Redemption Price at Maturity of such Note, a U.S. holder will be considered to have purchased such Note at a premium. In this event, a U.S. holder may elect to amortize the amount of such premium, using a constant rate, as an offset to interest income. It is not anticipated that the Rated Notes will be issued at a premium.

Sale, Exchange and Retirement of the Rated Notes. In general, a U.S. holder of a Rated Note will have a basis in such Note equal to the cost of such Note to such holder increased by the amount of accrued OID, if any, and reduced by (i) any amortized premium applied to reduce, or allowed as a deduction against, interest on such Note and (ii) any payments other than payments of qualified stated interest on such Note. Upon a sale, exchange or retirement of any such Note, a U.S. holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which would be taxable as such) and the holder's adjusted tax basis in such Note. Generally, such gain or loss will be long-term capital gain or loss if the U.S. holder held such Note for more than one year at the time of disposition. Gain recognized by a U.S. holder on the sale, exchange or retirement of a Rated Note generally will be treated as from sources within the United States.

Tax Treatment of U.S. Holders of Subordinated Notes

The Issuer will agree and, by their purchase of the Subordinated Notes, holders and beneficial owners of the Subordinated Notes will be deemed to have agreed, to treat such Notes as equity for U.S. Federal income tax purposes. The following discussion regarding the tax treatment of an investment in Subordinated Notes is intended to apply to U.S. holders of such Subordinated Notes.

Investment in a Passive Foreign Investment Company. The Subordinated Notes will constitute equity interests in the Issuer for U.S. Federal income tax purposes. In addition, the Issuer will constitute a "passive foreign investment company" ("**PFIC**"). Accordingly, U.S. holders of Subordinated Notes will be considered U.S. equity holders in a PFIC. In general, to avoid certain adverse tax rules (described below) that apply to deferred income from a PFIC, a U.S. holder may desire to make an election to treat the Issuer as a "qualified electing fund" ("**QEF**") with respect to such holder. Generally, a QEF election may be made on or before the due date for filing a U.S. holder's U.S. Federal income tax return for the first taxable year for which such U.S. holder held Subordinated Notes. An electing U.S. holder will be required to include in gross income such holder's *pro rata* share of the Issuer's ordinary earnings and to include as long-term capital gain such holder's *pro rata* share of the Issuer's net capital gain (including gains upon sales of securities and gains under Securities Lending Agreements that do not meet the requirements of Section 1058 of the Code), whether or not distributed, assuming that the Issuer does not constitute a "controlled foreign corporation" in which the holder is a "U.S. Shareholder" (as defined below) as discussed below. A U.S. holder will not be eligible for the preferential income tax rate on qualified dividend income or the dividends received deduction in respect of such income or gain. In addition, a U.S. Subordinated Noteholder should note that (i) any net losses of the Issuer in a taxable year (which may include losses from credit default swaps, if any) will not be available to such U.S. Subordinated Noteholder, (ii) the Issuer's current year income subject to inclusion under the QEF rules is not reduced by prior years' losses and (iii) any loss is effectively available only when a U.S. Subordinated Noteholder sells or disposes of its Subordinated Notes (*i.e.*, when such U.S. Subordinated Noteholder recognizes a capital loss, or reduced capital gain, on such Notes). In certain cases in which a QEF does not distribute all of its earnings in a taxable year, U.S. holders of Subordinated Notes may also be permitted to elect generally to defer payment of the taxes on the QEF's undistributed earnings until such amounts are distributed or the Subordinated Notes are disposed of, subject to an interest charge on the deferred amount.

Prospective purchasers of Subordinated Notes should be aware that it is expected that some of the Collateral Debt Securities may be purchased by the Issuer with substantial original issue discount. As a result of this and certain rules that may apply to the timing of income inclusions associated with certain types of Synthetic Securities, the Issuer may recognize significant income from such instruments but the receipt of Cash attributable to such income may be deferred, perhaps for a substantial period of time. Thus, absent an election to defer payment of taxes, U.S. holders of Subordinated Notes that make a QEF election may owe tax on significant amounts of "phantom" income. Losses associated with such investments are subject to material limitations. Moreover, some or all of the income received by the Issuer will be used to pay principal on the Rated Notes and will not be available for distribution to holders of the Subordinated Notes.

The Issuer will provide all information that a U.S. holder of Subordinated Notes making a QEF election with respect to the Issuer is required to obtain for U.S. Federal income tax purposes (e.g., the U.S. holder's *pro rata* share of ordinary income and net capital gain) and will provide a "PFIC Annual Information Statement" as described in U.S. Treasury Regulations, including all representations and statements required by such statement, and will take other reasonable steps to facilitate such election. If the Issuer invests in the equity of other PFICs, a U.S. holder of Subordinated Notes would have to make a separate QEF election with respect to any such other

PFIC. In such case, the Issuer will provide the information needed for U.S. holders to make such a QEF election to the extent it receives such information. U.S. holders should consult with their own tax advisors regarding the tax consequences of such a situation.

If a U.S. holder of Subordinated Notes does not make a timely QEF election and the PFIC rules are otherwise applicable, a U.S. holder (other than certain U.S. holders that are subject to the rules relating to a "controlled foreign corporation" described below) would be required to report any gain on disposition of any Subordinated Notes as ordinary income and to compute the tax liability on such gain and certain "excess distributions" as if the items had been earned ratably generally over each day in the U.S. holder's holding period for the Subordinated Notes and would be subject to the highest ordinary income tax rate for each prior taxable year in which the items were treated as having been earned, regardless of the rate otherwise applicable to the U.S. holder. Such U.S. holder would also be liable for an additional tax equal to interest on the tax liability attributable to such income allocated to prior years as if such liability had been due with respect to each such prior year. For purposes of these rules, gifts, bequests or exchanges pursuant to corporate reorganizations and use of the Subordinated Notes as security for a loan may be treated as a taxable disposition. An "**excess distribution**" is the amount by which distributions during a taxable year in respect of a Subordinated Note exceed 125 percent of the average amount of distributions in respect thereof during the three preceding taxable years (or, if shorter, the U.S. holder's holding period for the Subordinated Note). In addition, a stepped-up basis in the Subordinated Notes upon the death of an individual U.S. holder may not be available.

U.S. HOLDERS OF SUBORDINATED NOTES SHOULD CONSIDER CAREFULLY WHETHER TO MAKE A QEF ELECTION WITH RESPECT TO THE ISSUER AND THE CONSEQUENCES OF NOT MAKING SUCH AN ELECTION.

Investment in a Controlled Foreign Corporation. Depending on the degree of ownership of the equity interests in the Issuer by "U.S. Shareholders" (as defined below), the Issuer may constitute a "**controlled foreign corporation**" ("CFC"). In general, a foreign corporation will constitute a CFC if more than 50% of the shares of the corporation, measured by reference to combined voting power or value, are held, directly or indirectly, by U.S. Shareholders. A "**U.S. Shareholder**," for this purpose, is any Person that is a U.S. person for U.S. Federal income tax purposes that possesses (actually or constructively) 10% or more of the combined voting power of all classes of shares of a corporation (Persons who own interests in a U.S. pass-through entity which is a U.S. Shareholder will also be subject to the CFC rules described below). It is possible that the IRS would assert that the Subordinated Notes (and the Class E Junior Notes, if treated as equity for U.S. Federal income tax purposes) are voting securities and that U.S. holders possessing 10% or more of the combined voting power of the Subordinated Notes (and the Class E Junior Notes, if treated as equity for U.S. Federal income tax purposes) are U.S. Shareholders for purposes of the CFC rules. If this argument were successful and more than 50% of such interests were held by such U.S. Shareholders, the Issuer would be treated as a CFC. In addition, if the Class E Junior Notes are treated as equity for U.S. Federal income tax purposes, U.S. holders of such Class of Notes could be considered U.S. Shareholders for purposes of this subsection.

If the Issuer should constitute a CFC, each U.S. Shareholder of the Issuer would be treated, subject to certain exceptions, as receiving ordinary income at the end of the taxable year of the Issuer in an amount equal to that Person's *pro rata* share of the "subpart F income" and certain other income of the Issuer. Among other items, and subject to certain exceptions, "**subpart F income**" includes dividends, interest, annuities, gains from the sale of shares and securities, certain gains from commodities transactions, income from notional principal contracts (e.g., swaps and caps), certain types of insurance income and income from certain transactions with related parties. It is likely that predominantly all of the Issuer's income would be subpart F income. If more than 70% of the Issuer's gross income is subpart F income in any year, 100% of its income in such year would be treated as subpart F income. Prospective purchasers of the Subordinated Notes should be aware that such income of the Issuer may significantly exceed the Issuer's distributions on the Subordinated Notes for one or more periods, and that a U.S. Shareholder may owe tax on significant amounts of "phantom income."

If the Issuer should be treated as a CFC, a U.S. Shareholder of the Issuer would be taxable on the subpart F income of the Issuer under the rules applicable to a CFC described in the preceding paragraph and not under the PFIC rules previously described. As a result, to the extent subpart F income of the Issuer includes net capital gains, such gains will be treated as ordinary income of the U.S. Shareholder under the CFC rules, notwithstanding the fact that the character of such gains generally would otherwise be preserved under the PFIC rules if a QEF election had been made. Also, the PFIC rule permitting the deferral of tax on undistributed earnings would not apply.

Distributions on Subordinated Notes. The treatment of actual distributions of cash on the Subordinated Notes, in very general terms, will vary depending on whether a U.S. holder has made a timely QEF election or whether the Issuer is a CFC with respect to such U.S. holder, each as described above. See "—Investment in a Passive Foreign Investment Company" and "—Investment in a Controlled Foreign Corporation." If a timely QEF election has been made or the Issuer is a CFC with respect to such holder, distributions should be allocated first to amounts previously taxed pursuant to the QEF election or pursuant to the CFC rules, if applicable, and to this extent would not be taxable to U.S. holders. Distributions in excess of such previously taxed amounts and any remaining amounts of earnings and profits will generally be treated first as a nontaxable return of capital to the extent of the holder's tax basis in the Subordinated Notes and then as capital gain.

In the event that a U.S. holder does not make a timely QEF election, then, except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC rules, some or all of any distributions with respect to the Subordinated Notes may constitute excess distributions, taxable as previously described. See "—Investment in a Passive Foreign Investment Company."

Distributions on the Subordinated Notes will not constitute "qualified dividend income" eligible, in the case of individuals, for a reduced rate of tax and will not be eligible for the dividend received deduction allowed to corporations.

Sale, Redemption or Other Disposition of Subordinated Notes. In general, a U.S. holder of a Subordinated Note will recognize gain or loss upon the sale or other disposition of a

Subordinated Note equal to the difference between the amount realized and such holder's adjusted tax basis in the Subordinated Note. If a U.S. holder has made a timely QEF election as described above and the Issuer is not a CFC with respect to such holder, such gain or loss will be long-term capital gain or loss if the U.S. holder held the Subordinated Notes for more than 12 months at the time of the disposition.

Initially, the tax basis of a U.S. holder should equal the amount paid for a Subordinated Note. Such basis will be increased by amounts taxable to such holder by virtue of a QEF election or the CFC rules and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or are treated as nontaxable returns of capital (as described above).

If a U.S. holder does not make a timely QEF election as described above and the Issuer is not a CFC with respect to such holder, any gain realized on the sale or other disposition of a Subordinated Note will be subject to an interest charge and taxed as ordinary income under the special tax rules described above. See "—Investment in a Passive Foreign Investment Company."

If the Issuer is treated as a CFC and a U.S. holder is treated as a "U.S. Shareholder" therein, then any gain realized by such holder upon the disposition of Subordinated Notes will be treated as ordinary income to the extent of such U.S. Shareholder's share of the current and accumulated earnings and profits of the Issuer. In this respect, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC rules.

Transfer and Other Reporting Requirements. U.S. holders of the Subordinated Notes will generally be required to report to the IRS on Form 926 certain information relating to such holders' purchase of the Subordinated Notes. In the event a U.S. holder fails to file any such required form, the U.S. holder could be subject to a penalty equal to 10% of the gross amount paid for the Subordinated Notes subject to a maximum penalty equal to \$100,000 (except in cases of intentional disregard). U.S. holders of Subordinated Notes are urged to consult with their own tax advisors regarding these reporting requirements and any other reporting requirements, such as an IRS Form 5471, which may apply to such holders. In addition, if the Class E Junior Notes are treated as equity for U.S. Federal income tax purposes, U.S. holders of such Notes would be also be subject to the above reporting requirements.

Tax-Exempt Investors. Special considerations apply to pension plans and other investors ("**Tax-Exempt Investors**") that are subject to tax only on their unrelated business taxable income ("**UBTI**"). A Tax-Exempt Investor's income from an investment in the Securities generally should not be treated as resulting in UBTI, so long as such investor's acquisition of Securities is not debt-financed. A Tax-Exempt Investor that owns more than 50% of the equity (for U.S. Federal income tax purposes) of the Issuer and also owns Rated Notes treated as debt (for U.S. Federal income tax purposes) should consider the application of the special UBTI rules for interest received from controlled entities. Tax-Exempt Investors should consult their own tax advisors regarding an investment in the Securities.

Tax Treatment of Non-U.S. Holders of Securities

Subject to the discussion below regarding "backup withholding", a non-U.S. holder of the Securities will not be subject to any U.S. Federal income or withholding taxes with respect to gain derived from the sale, exchange, or redemption of, or any distributions received in respect of, Securities of the Issuer, unless such gain or distributions are effectively connected with a U.S. trade or business of such holder, or, in the case of a gain realized, such holder is a nonresident alien individual who holds the Securities as a capital asset and who is present in the United States for 183 days or more in the taxable year of the disposition, and certain other conditions are satisfied.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires "information reporting" annually to the IRS and to each holder, and "backup withholding" with respect to certain payments made on or with respect to the Securities. These requirements generally do not apply with respect to certain holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. Backup withholding will apply to a U.S. holder only if the U.S. holder (i) fails to furnish its Taxpayer Identification Number ("TIN"), which for an individual would be his or her Social Security Number, (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that it has failed to properly report payments of interest and dividends or (iv) under certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. An exemption is available by providing a properly completed IRS Form W-9 (or successor applicable form). Each U.S. holder agrees that by such holder's or beneficial owner's acceptance of a Security or an interest therein that such holder or beneficial owner will provide (or cause to be provided) to the Issuer (or the Trustee on behalf of the Issuer) or other applicable withholding agent a properly completed IRS Form W-9 (or successor applicable form) signed under penalty of perjury.

A non-U.S. holder that provides the applicable IRS Form W-8BEN, IRS Form W-8IMY or other applicable (or successor) form, together with all appropriate attachments, signed under penalty of perjury, identifying the non-U.S. holder and stating that the non-U.S. holder is not a United States person will not be subject to IRS reporting requirements and U.S. backup withholding. In addition, IRS Form W-8BEN or other applicable (or successor) form will be required from the beneficial owners of interests in a non-U.S. holder that is treated as a partnership (or as a trust of certain types) for U.S. Federal income tax purposes. Each non-U.S. holder agrees that by such holder's or beneficial owner's acceptance of a Security or an interest therein that such holder or beneficial owner will provide (or cause to be provided) to the Issuer (or the Trustee on behalf of the Issuer) or other applicable withholding agent a properly completed IRS Form W-8BEN, IRS Form W-8IMY or other applicable form signed under penalty of perjury.

The payment of the proceeds on the disposition of a Security by a non-U.S. holder to or through the U.S. office of a broker generally will be subject to information reporting and backup withholding unless the holder either certifies its status as a non-U.S. holder under penalty of perjury on the applicable IRS Form W-8BEN, IRS Form W-8IMY or other applicable form (as described above) or otherwise establishes an exemption. The payment of the proceeds on the

disposition of a Security by a non-U.S. holder to or through a non-U.S. office of a non-U.S. broker will not be subject to backup withholding or information reporting unless the non-U.S. broker is a "U.S. Related Person." The payment of proceeds on the disposition of a Security by a non-U.S. holder to or through a non-U.S. office of a U.S. broker or a U.S. Related Person generally will not be subject to backup withholding but will be subject to information reporting unless the holder certifies its status as a non-U.S. holder under penalty of perjury or the broker has certain documentary evidence in its files as to the non-U.S. holder's foreign status and the broker has no actual knowledge to the contrary.

For this purpose, a "**U.S. Related Person**" includes (i) a "controlled foreign corporation" for U.S. Federal income tax purposes, (ii) a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment (or for such part of the period that the broker has been in existence) is derived from activities that are effectively connected with the conduct of a U.S. trade or business or (iii) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a U.S. trade or business.

Backup withholding is not an additional tax and may be refunded (or credited against the holder's U.S. Federal income tax liability, if any); *provided* that certain required information is furnished to the IRS. The information reporting requirements may apply regardless of whether withholding is required. Copies of the information returns reporting such interest and withholding also may be made available to the tax authorities in the country in which a non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement.

Tax Shelter Reporting Requirements

Pursuant to Treasury Regulations directed at tax shelter activity, taxpayers are required to disclose to the IRS certain information on IRS Form 8886 if they participate in a "reportable transaction." A transaction may be a "reportable transaction" based upon any of several indicia with respect to a holder, including the recognition of a loss. In addition, a U.S. holder of 10% or more of the equity (for U.S. Federal income tax purposes) of the Issuer could be subject to these disclosure requirements if the Issuer engages in any "reportable transaction." A significant penalty will be imposed on taxpayers who participate in a "reportable transaction" and fail to make the required disclosure. The penalty is generally \$10,000 for natural persons and \$50,000 for other persons (increased to \$100,000 and \$200,000, respectively, if the reportable transaction is a "listed" transaction). Investors should consult their own tax advisors concerning any possible disclosure obligation with respect to their investment in the Issuer and the penalty discussed above.

Cayman Islands Tax Considerations

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 Security and gains derived from the sale of Securities 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) Noteholders whose Notes are 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 the Notes. Registered securities evidencing a Note or Notes to which title is not transferable by delivery will not attract Cayman Island stamp duties, although an instrument transferring title to such a registered security, if brought into or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and expects to obtain an undertaking from the Governor-in-Cabinet of the Cayman Islands in the following form:

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

In accordance with the provisions of Section 6 of The Tax Concessions Law (1999 Revision), the Governor-in-Cabinet undertakes with:

Symphony CLO IV, 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 20th day of March, 2007.

Governor-in-Cabinet"

In the event that Cayman Islands law were to change so that the Issuer were required to withhold tax from payments on the Securities, the Issuer would be responsible for withholding such tax, but would not be responsible to make "gross up" payments to Holders of the Securities.

The Cayman Islands does not have an income tax treaty arrangement with the U.S. or any other country.

All payments in respect of the Securities will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature unless the Issuer or a Paying Agent is required by applicable law to make any payment in respect of the Securities subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature. In that event the Issuer or the Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor the Paying Agent will be obliged to make any additional payments to holders of Securities in respect of such withholding or deduction. No income or withholding taxes are due in the Cayman Islands with respect to the Securities.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE TAX IMPLICATIONS OF AN INVESTMENT IN THE SECURITIES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF SUCH INVESTOR'S CIRCUMSTANCES.

ERISA CONSIDERATIONS

CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and Section 4975 of the Code, impose certain duties on persons who are fiduciaries of (a) employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA (an "**ERISA Plan**"), (b) plans described in Section 4975(e)(1) of the Code that are subject to the prohibited transaction provisions of Section 4975 of the Code, including individual retirement accounts and Keogh plans, and (c) any entities whose assets include plan assets under ERISA by reason of a plan's investment in such entities, such as certain collective investment funds and certain insurance company separate accounts (each of (a), (b) and (c), a "**Plan**"). Moreover, based on the reasoning of the United States Supreme Court in *John Hancock Life Ins. Co. v. Harris Trust and Savings Bank*, 114 S. Ct. 517 (1993), an insurance company's general account may be deemed to include assets of the Plans investing in the general account (*e.g.*, through the purchase of an annuity contract). The fiduciary duties imposed by ERISA 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, local and non-U.S. laws or regulations may impose similar duties on fiduciaries of governmental, church and/or non-U.S. plans which are not subject to ERISA.

Any fiduciary of an ERISA Plan, of an entity whose assets are treated as "plan assets" of ERISA Plans by reason of an ERISA Plan's investment in such entity, or of a governmental, church, or non-U.S. plan that is subject to fiduciary standards similar to those of ERISA ("**plan fiduciary**"), which proposes to cause such a plan or entity to purchase the Securities should determine whether, under the general fiduciary standards of ERISA or other applicable law, an investment in the Securities is appropriate for such ERISA 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 the Securities, 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 of ERISA and Section 4975 of the Code impose certain restrictions on persons who have certain specified relationships to Plans ("Parties in Interest" under ERISA and "Disqualified Persons" under the Code). These restrictions include prohibitions on certain transactions between a Plan and Parties in Interest or Disqualified Persons with respect to such Plan unless a statutory or administrative exemption is applicable to the transaction. Violation of these rules may result in the imposition of excise taxes and other penalties and liabilities under ERISA and the Code, and the transaction may have to be rescinded.

Each of the Issuer, the Placement Agent, the Collateral Manager, the Trustee, the Collateral Administrator or their respective affiliates may be the sponsor of or investment adviser with respect to one or more Plans. Because such parties may receive certain benefits in connection with the sale of the Securities to such Plans, the purchase of such Securities using the assets of a Plan over which any of such parties has investment authority might be deemed to be a violation of the prohibited transaction rules of ERISA and Section 4975 of the Code for which no exemption may be available. Accordingly, the Notes may not be purchased using the assets of any Plan if any of the Issuer, the Placement Agent, the Collateral Manager, the Trustee, or their respective affiliates has investment authority with respect to such assets.

In addition, if the Notes are acquired by a Plan with respect to which the Issuer, the Placement Agent, the Collateral Manager, the Trustee, the Collateral Administrator any Holder of the Subordinated Notes or any of their respective affiliates is a Party in Interest or Disqualified Person other than that of sponsor of or investment adviser with respect to such Plan, such transaction could be deemed to be a direct or indirect violation of the prohibited transaction rules of ERISA and Section 4975 of the Code unless such transaction were subject to one or more statutory or administrative exemptions such as Section 408(b)(17) of ERISA (and Section 4975(d)(20) of the Code), which exempt certain transactions involving service providers to a Plan; Prohibited Transaction Class Exemption ("**PTCE**") 90-1, which exempts certain transactions involving insurance company pooled separate accounts; PTCE 95-60, which exempts certain transactions involving insurance company general accounts; PTCE 91-38, which exempts certain transactions involving bank collective investment funds; PTCE 84-14, which exempts certain transactions effected on behalf of a Plan by a "qualified professional asset manager"; or PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by certain "in-house" asset managers. It should be noted, however, that, even if the conditions specified in one or more of these exemptions are met, the scope of relief provided by these exemptions may not necessarily cover all acts that might be construed as prohibited transactions.

Governmental plans and certain church and non-U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the prohibited transaction provisions of Section 4975 of the Code, may nevertheless be subject to Federal, state,

local, or non-U.S. laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code (a "**Similar Law**").

The United States Department of Labor, the government agency primarily responsible for administering the ERISA fiduciary rules and the prohibited transaction rules under ERISA and Section 4975 of the Code, has issued a regulation (the "**Plan Asset Regulation**") which, as modified by Section 3(42) of ERISA, sets forth the rule that if Plans acquire "equity interests" in an entity, then, under certain specified circumstances, the investment manager of that entity, and entities with certain specified relationships to Plans, are required to "look through" the entity, including investment vehicles such as the Issuer, and treat as an "asset" of the Plan, an undivided interest in each investment made by such entity. Under Section 3(42) of ERISA, if Benefit Plan Investors own less than 25% (or such greater percentage as may be specified in regulations promulgated by the U.S. Department of Labor) of the value of each class of equity interest in the entity (the "**25% Threshold**"), then the "look through" rule will not apply to such entity. "**Benefit Plan Investors**" are defined in Section 3(42) of ERISA to include (1) any "employee benefit plan" (as defined in Section 3(3) of ERISA), that is subject to the provisions of Part 4 of Subtitle B of Title I of ERISA, (2) any "plan" that is subject to the prohibited transaction provisions of Section 4975 of the Code and (3) any entity whose assets are treated as "plan assets" under ERISA by reason of any of the aforementioned employee benefit plan's or plan's investment in the entity. If Benefit Plan Investors, after the most recent acquisition of any equity interest in the entity, own 25% (or such greater percentage as may be specified in regulations promulgated by the U.S. Department of Labor) or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, having discretionary authority or control over the assets of such entity or providing investment advice with respect to the assets of such entity for a fee, direct or indirect, or any affiliates of such persons (any such person, a "**Controlling Person**")), then the look through rule will apply.

It should be noted that the Small Business Job Protection Act of 1996 added Section 401(c) of ERISA relating to the status of the assets of insurance company general accounts under ERISA and Section 4975 of the Code. Pursuant to Section 401(c) of ERISA, the Department of Labor issued final regulations (the "**General Account Regulations**") with respect to insurance policies issued on or before December 31, 1998 that are supported by an insurer's general account. The General Account Regulations provide guidance on which assets held by the insurer constitute "plan assets" for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Code. The plan asset status of insurance company separate accounts is unaffected by Section 401(c) of ERISA. Separate account assets continue to be treated as the plan assets of any Plan invested in the separate account unless such separate account is an investment company registered under the Investment Company Act of 1940. The General Account Regulations do not exempt the assets of insurance company general accounts or wholly owned subsidiaries thereof from treatment as "plan assets" to the extent they support policies issued to Plans after December 31, 1998. Insurance companies should consult with their counsel regarding the impact of Section 401(c) of ERISA and the General Account Regulations on their purchase of the Notes and the applicability of PTCE 95-60 to any such purchase and holding.

The Plan Asset Regulation defines an "equity interest" as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and that has no

substantial equity features. If the Senior Notes and the Mezzanine Notes are treated as debt for purposes of the Plan Asset Regulation, the assets of the Issuer should not be treated as "plan assets" of an investing Plan. If, however, the Senior Notes and the Mezzanine Notes were treated as "equity" for purposes of the Plan Asset Regulation, a Plan purchasing the Senior Notes and the Mezzanine Notes could be treated as holding the underlying assets of the Issuer, including but not limited to the Collateral. Although there can be no assurances in this regard, it appears that the Senior Notes and the Mezzanine Notes, which are denominated as debt, will be treated as debt and not as "equity interests" for purposes of ERISA and the Plan Asset Regulation. Accordingly, no measures (such as those described below with respect to the Class E Junior Notes and the Subordinated Notes) will be taken to restrict investment in the Senior Notes and the Mezzanine Notes by Benefit Plan Investors. However, there can be no assurance that the Senior Notes and the Mezzanine Notes would be characterized by the United States Department of Labor or others as indebtedness and not as equity interests on the date of issuance or at any given time thereafter. In addition, the status of any Class of Notes as indebtedness could be affected, subsequent to their issuance, by certain changes in the structure or financial condition of the Issuer.

The Class E Junior Notes and the Subordinated Notes may be treated as equity for purposes of ERISA and the Plan Asset Regulation. Accordingly, if equity investment in the Issuer by Benefit Plan Investors were to exceed the 25% Threshold, a Benefit Plan Investor purchasing the Class E Junior Notes or the Subordinated Notes, as applicable, could be treated as holding the underlying assets of the Issuer, including but not limited to the Collateral. In addition, the Issuer intends that ownership interests in the Class E Junior Notes and in the Subordinated Notes will be maintained at a level below the 25% Threshold by prohibiting the acquisition of the Class E Junior Notes by Benefit Plan Investors (other than an insurance company general account (or a wholly owned subsidiary thereof) and only if less than 25% of the underlying assets of such insurance company's general account constitute "plan assets" under Section 401(c) of ERISA) or Controlling Persons and by limiting the aggregate amount of the Subordinated Notes that may be held by Benefit Plan Investors to below the 25% Threshold.

In order to effect the above prohibition against the acquisition of Class E Junior Notes by Benefit Plan Investors other than an insurance company general account (or a wholly owned subsidiary of such a general account), if less than 25% of the underlying assets of such insurance company general account constitute "plan assets") under Section 401(c) of ERISA, each original purchaser and subsequent transferee of the Class E Junior Notes (or an interest therein) will be deemed to represent and warrant at the time of its purchase and throughout the period that it holds such Class E Junior Note or any interest therein, that (i) either (a) it is not a Benefit Plan Investor, (b) it is an insurance company acting on behalf of its general account (or a wholly owned subsidiary of its general account) and its purchase and holding of a Class E Junior Note, or an interest therein, are eligible for exemptive relief under PTCE 95-60 or some other applicable exemption and, (i) as of the date it acquires a Class E Junior Note, or any interest therein, less than 25% of the underlying assets of such general account constitute "plan assets" under Section 401(c) of ERISA and (ii) it agrees that if, after its initial acquisition of a Class E Junior Note, or any interest therein, at any time during any month, 25% or more of the underlying assets of such general account constitute "plan assets" within the meaning of Section 401(c) of ERISA, then such insurance company shall, in a manner consistent with the restrictions on transfer set forth herein, dispose of all of the Class E Junior Notes and any interest

therein held in its general account (or by a wholly owned subsidiary of its general account) by the end of the next following month, or (c) if it is a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law substantially similar to Title I of ERISA or Section 4975 of the Code, its purchase and holding of such Notes will not constitute or result in a non-exempt violation under any such substantially similar federal, state, local or non-U.S. law and (ii) it will not sell or otherwise transfer any such note or interest to any person who cannot satisfy these same foregoing representations, warranties and covenants. Any purported transfer of Class E Junior Notes, or any interest therein, to a purchaser or transferee that does not comply with the requirements specified in the applicable documents will be of no force and effect, shall be null and void *ab initio* and the Issuer will have the right to direct the purchaser to transfer the Class E Junior Notes, or any interest therein, as applicable, to a person who meets the foregoing criteria.

In order to effect such limitations with respect to the Subordinated Notes, each prospective purchaser (including transferees) of a Subordinated Note will be required (or in the case of Regulation S Subordinated Notes, deemed) to make certain representations regarding its status as a Benefit Plan Investor or a Controlling Person as described under "Transfer Restrictions" below. No Rule 144A Subordinated Notes will be sold to purchasers or transferees that have represented that they are Benefit Plan Investors or Controlling Persons unless, after such sale or transfer, the 25% Threshold would not be exceeded, determined after excluding Subordinated Notes held by Controlling Persons. No interest in a Subordinated Note sold in reliance on Regulation S may be sold or transferred to any persons that are Benefit Plan Investors or Controlling Persons. Each Original Purchaser and each transferee of Regulation S Subordinated Notes will be deemed to represent and warrant that it is not and that it will not become a Benefit Plan Investor or a Controlling Person while it holds the Regulation S Subordinated Note or any interest therein. Each Original Purchaser and each transferee of Rule 144A Subordinated Notes will be required to certify in the investor application forms pursuant to which such Rule 144A Subordinated Notes are purchased or in the applicable transfer certificate as to whether such acquirer or transferee is a Benefit Plan Investor or Controlling Person. The Trustee will not register the transfer of such a Rule 144A Subordinated Note unless, after such transfer, the 25% Threshold would not be exceeded, excluding Subordinated Notes held by Controlling Persons, and the Trustee will not register any transfer of a Regulation S Subordinated Note to a Benefit Plan Investor or a Controlling Person.

There can be no assurance that there will not be circumstances in which otherwise permitted transfers of Class E Junior Notes or Subordinated Notes, as applicable, will be required to be restricted in order to comply with the aforementioned 25% Threshold. Although each owner of a Class E Junior Note or a Subordinated Note, as applicable, will be required to indemnify and hold harmless the Issuer, the Trustee, the Collateral Manager, the Administrator, the Placement Agent and their respective Affiliates for the consequences of any breach of its obligations, there is no assurance that an owner will not breach such obligations or that, if such breach occurs, such owner will have the financial capacity and willingness to indemnify such parties for any losses that such parties may suffer, including non-compliance with the prohibitions on transfer to Benefit Plan Investors or Controlling Persons described above.

If for any reason the assets of the Issuer are deemed to be "plan assets" of a Plan subject to the provisions of Title I of ERISA or the prohibited transaction provisions of Section 4975 of

the Code, certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of its business might constitute non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code and might have to be rescinded. In addition, if the assets of the Issuer are deemed to be "plan assets" of a Benefit Plan Investor, the payment of certain of the fees payable to the Collateral Manager might be considered to be a non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code. Moreover, if the assets of the Issuer were treated as "plan assets" under ERISA, there are several provisions of ERISA that could be implicated if an ERISA Plan were to acquire and hold the Securities either directly or by investing in an entity whose assets are treated as "plan assets" under ERISA. It is not clear that Section 403(a) of ERISA, which generally requires that all of the assets of an ERISA Plan be held in trust and limits delegation of investment management responsibilities by fiduciaries of ERISA Plans, would be satisfied. It is also not clear whether Section 404(b) of ERISA, which generally provides that no fiduciary may maintain the indicia of ownership of any assets of a plan outside the jurisdiction of the district courts of the United States, would be satisfied or any of the exceptions to this requirement set forth in 29 C.F.R. Section 2550.404b-1 would be available.

EACH PURCHASER AND EACH TRANSFEREE OF A SENIOR NOTE OR A MEZZANINE NOTE OR AN INTEREST THEREIN, AND EACH FIDUCIARY ACTING ON BEHALF OF THE PURCHASER OR TRANSFEREE, WILL BE REQUIRED TO REPRESENT (OR IN CERTAIN CIRCUMSTANCES WILL BE DEEMED TO REPRESENT), WITH RESPECT TO EACH DAY IT HOLDS SUCH SENIOR NOTE OR MEZZANINE NOTE OR ANY BENEFICIAL INTEREST THEREIN, EITHER (1) THAT THE PURCHASER OR TRANSFEREE IS NOT AND WILL NOT BE A BENEFIT PLAN INVESTOR WITHIN THE MEANING OF SECTION 3(42) OF ERISA, OR A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAW, AND NO PART OF THE ASSETS TO BE USED BY IT TO PURCHASE OR HOLD SUCH SENIOR NOTES OR MEZZANINE NOTES OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF A BENEFIT PLAN INVESTOR OR A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, OR (2) THAT THE PURCHASER'S OR TRANSFEREE'S PURCHASE, HOLDING AND DISPOSITION OF A SENIOR NOTE OR MEZZANINE NOTE OR ANY BENEFICIAL INTEREST THEREIN WILL NOT CONSTITUTE OR 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, CHURCH, OR NON-U.S. PLAN DOES NOT AND WILL NOT CONSTITUTE A NON-EXEMPT VIOLATION OF ANY SIMILAR LAW).

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A CLASS E JUNIOR NOTE WILL BE DEEMED TO REPRESENT AND WARRANT AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN, THAT: (1) EITHER (A) IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, ("ERISA")) THAT IS SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A PLAN THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (III) ANY ENTITY WHOSE ASSETS ARE

TREATED AS "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR A "BENEFIT PLAN INVESTOR" AS SUCH TERM IS OTHERWISE DEFINED IN ANY REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR UNDER SECTION 3(42) OF ERISA, (B) IT IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT (OR A WHOLLY OWNED SUBSIDIARY OF ITS GENERAL ACCOUNT) AND ITS PURCHASE AND HOLDING OF THIS NOTE, OR AN INTEREST THEREIN, ARE ELIGIBLE FOR EXEMPTIVE RELIEF UNDER PROHIBITED TRANSACTION CLASS EXEMPTION 95-60 OR SOME OTHER APPLICABLE EXEMPTION AND, (I) AS OF THE DATE IT ACQUIRES THIS NOTE, OR ANY INTEREST THEREIN, LESS THAN 25 PERCENT OF THE UNDERLYING ASSETS OF SUCH GENERAL ACCOUNT CONSTITUTE "PLAN ASSETS" (AS DEFINED IN SECTION 401(c) OF ERISA, (II) IT AGREES THAT IF, AFTER ITS INITIAL ACQUISITION OF THIS NOTE, OR ANY INTEREST THEREIN, AT ANY TIME DURING ANY MONTH 25 PERCENT OR MORE OF THE UNDERLYING ASSETS OF SUCH GENERAL ACCOUNT CONSTITUTE "PLAN ASSETS" AS SO DEFINED, THEN SUCH INSURANCE COMPANY SHALL, IN A MANNER CONSISTENT WITH THE RESTRICTIONS ON TRANSFER SET FORTH HEREIN, DISPOSE OF ALL OF THESE NOTES AND ANY INTEREST THEREIN, HELD IN ITS GENERAL ACCOUNT OR BY A WHOLLY OWNED SUBSIDIARY OF ITS GENERAL ACCOUNT BY THE END OF THE NEXT FOLLOWING MONTH, AND (III) IT IS NOT A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR ANY PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS OR AN AFFILIATE OF SUCH A PERSON OR (C) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), ITS PURCHASE AND HOLDING OF SUCH NOTES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION UNDER ANY SUCH SUBSTANTIALLY SIMILAR LAW AND WILL NOT SUBJECT THE ISSUER OR THE COLLATERAL MANAGER TO ANY LAWS, RULES, OR REGULATIONS APPLICABLE TO SUCH PLAN SOLELY AS A RESULT OF THE INVESTMENTS IN SUCH ISSUER BY SUCH A PLAN, (2) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTE OR INTEREST TO ANY PERSON WHO CANNOT SATISFY THESE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS.

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A REGULATION S GLOBAL SUBORDINATED NOTE OR AN INTEREST THEREIN WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON. IN ADDITION, EACH PURCHASER AND EACH TRANSFEREE OF A REGULATION S SUBORDINATED NOTE OR AN INTEREST THEREIN SHALL BE FURTHER DEEMED TO REPRESENT AND WARRANT THAT (I) IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF) A GOVERNMENTAL, CHURCH OR NON-US PLAN WHICH IS SUBJECT TO ANY LAW AND/OR LAWS OR REGULATIONS THAT PROVIDE THAT THE ASSETS OF THE ISSUER COULD BE DEEMED TO INCLUDE PLAN ASSETS AND (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE OR ANY BENEFICIAL INTEREST

THEREIN WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A VIOLATION OF ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), AND WILL NOT SUBJECT THE ISSUER OR THE COLLATERAL MANAGER TO ANY LAWS, RULES OR REGULATIONS APPLICABLE TO SUCH PLAN SOLELY AS A RESULT OF THE INVESTMENTS IN THE ISSUER BY SUCH PLAN. EACH PURCHASER AND EACH TRANSFEREE OF A RULE 144A SUBORDINATED NOTE WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON (EACH AS DEFINED BELOW). NO INITIAL PURCHASE OR TRANSFER OF RULE 144A SUBORDINATED NOTES WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER UNLESS, AFTER GIVING EFFECT TO SUCH TRANSFER, LESS THAN 25% (OR SUCH GREATER PERCENTAGE AS MAY BE PROVIDED IN REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR) OF THE SUBORDINATED NOTES WOULD BE HELD BY BENEFIT PLAN INVESTORS (DETERMINED AFTER DISREGARDING SUBORDINATED NOTES HELD BY PERSONS OTHER THAN BENEFIT PLAN INVESTORS WHO HAVE DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER, OR WHO PROVIDE INVESTMENT ADVICE FOR A FEE, DIRECT OR INDIRECT, WITH RESPECT TO SUCH ASSETS, OR ANY AFFILIATES OF SUCH PERSONS (EACH, A "CONTROLLING PERSON")). A "BENEFIT PLAN INVESTOR" INCLUDES AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A "PLAN" THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND ANY ENTITY WHOSE ASSETS ARE TREATED AS "PLAN ASSETS" PURSUANT TO ERISA, INCLUDING FOR THIS PURPOSE THE GENERAL ACCOUNT OF AN INSURANCE COMPANY ANY OF WHOSE UNDERLYING ASSETS CONSTITUTE "PLAN ASSETS" WITHIN THE MEANING OF SECTION 401(c) OF ERISA AND A WHOLLY OWNED SUBSIDIARY OF SUCH A GENERAL ACCOUNT). AN INVESTOR THAT IS A BENEFIT PLAN INVESTOR WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN THE RULE 144A SUBORDINATED NOTES WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF AN INVESTOR THAT IS, OR IS INVESTING THE ASSETS OF A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN SUBORDINATED NOTES WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR THE CODE, AND WILL NOT SUBJECT THE ISSUER OR THE COLLATERAL MANAGER TO ANY LAWS, RULES OR REGULATIONS APPLICABLE TO SUCH PLAN SOLELY AS A RESULT OF THE INVESTMENTS IN THE ISSUER BY SUCH PLAN.

IN THE EVENT THAT THE ISSUER DETERMINES THAT (AFTER A TRANSFER) 25% (OR SUCH GREATER PERCENTAGE AS MAY BE PROVIDED IN REGULATIONS

PROMULGATED BY THE U.S. DEPARTMENT OF LABOR) OR MORE OF THE CLASS E JUNIOR NOTES OR SUBORDINATED NOTES, AS APPLICABLE, ARE HELD BY BENEFIT PLAN INVESTORS, AS DETERMINED UNDER ERISA AND REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR, THE ISSUER MAY CAUSE A SALE OR TRANSFER IN ORDER TO REDUCE THE PERCENTAGE OF THE CLASS E JUNIOR NOTES OR SUBORDINATED NOTES, AS APPLICABLE, HELD BY BENEFIT PLAN INVESTORS.

THE PURCHASER, AND ANY FIDUCIARY OF THE PURCHASER CAUSING IT TO ACQUIRE AN INTEREST IN ANY CLASS E JUNIOR NOTES OR SUBORDINATED NOTES, AS APPLICABLE, AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE TRUSTEE, THE NOTE REGISTRAR, THE COLLATERAL MANAGER, THE ADMINISTRATOR, THE PLACEMENT AGENT AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold Securities should determine whether, under the general fiduciary standards of investment prudence and diversification and under the documents and instruments governing the Plan, an investment in the Securities is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in Securities should consult with its counsel to confirm that such investment will not result in a prohibited transaction and will satisfy the other requirements of ERISA and the Code.

The sale of the Securities to a Plan shall not be deemed a representation by the Issuer, the Placement Agent, the Collateral Manager, or the Trustee that such an investment meets all relevant legal requirements with respect to Plans generally or any particular Plan.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE ERISA AND CODE IMPLICATIONS OF AN INVESTMENT IN THE SECURITIES 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. ACCORDINGLY, PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN LEGAL ADVISERS PRIOR TO INVESTING TO DETERMINE THE ERISA IMPLICATIONS OF SUCH INVESTMENTS IN LIGHT OF SUCH INVESTOR'S CIRCUMSTANCES.

PLAN OF DISTRIBUTION

Pursuant to a Private Placement Agency Agreement dated as of the Closing Date (the "**Placement Agency Agreement**"), Banc of America Securities LLC (in such capacity, the "**Placement Agent**") (directly or through an international affiliate) has agreed to use its reasonable best efforts to sell on behalf of the Issuer, subject to the satisfaction of certain conditions, the Notes. The Notes will be initially offered at 100% of their principal amount or at such other prices as may be negotiated at the time of sale.

The Issuer has been advised by the Placement Agent that the Placement Agent proposes to arrange the sale of the Notes to (i) certain non-U.S. persons (as defined under Regulation S of the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act, (ii) in the United States to persons that are Qualified Purchasers and either (x) Qualified Institutional Buyers in reliance on Rule 144A under, the Securities Act or (y) Accredited Investors (as defined in Regulation D of the Securities Act), in each case pursuant to transactions exempt from the registration requirements of Section 5 of the Securities Act provided by Rule 144A under Section 4(2) of the Securities Act. Any offer or sale of Notes made in the United States will be made by broker-dealers, including certain affiliates of the Placement Agent, which are registered as broker-dealers under the Exchange Act. Pursuant to the Placement Agency Agreement, the Placement Agent will be entitled to a placement fee from the Issuer for placing the Notes. The Placement Agent may allow a concession, not in excess of the selling concession, to certain brokers or dealers. In addition, the Issuer will pay to the Placement Agent the Senior Deferred Structuring Fee on each Payment Date on or prior to the Payment Date in July 2011 and, if the Maturity occurs prior to July 2011, the Structuring Fee Make Whole Amount. The Issuer will also pay to the Placement Agent the Warehouse Accrued Interest on each date after the Closing Date on which it is payable.

To facilitate the closing of sales arranged by the Placement Agent as described above, the Placement Agent may initially purchase all or a portion of any Class of Notes for the purpose of effecting a resale of such Notes in connection with the Offering. In addition, the Placement Agent may, but is not obligated to, purchase a portion of any Class of Notes on the Closing Date for its own account or that of any of its affiliates.

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, a U.S. Person except to persons that are both Qualified Purchasers and either (i) Qualified Institutional Buyers or (ii) Accredited Investors.

The Placement Agent has agreed that it will not offer, sell or deliver any Notes, within the United States or to, or for the account or benefit of, U.S. Persons except to Accredited Investors who are also Qualified Purchasers. In addition, an offer or sale of Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than pursuant Section 4(2) of the Securities Act. Resales of the Notes offered in reliance on Section 4(2) of the Securities Act are restricted as described under "Transfer Restrictions" herein. As used in this paragraph, the terms "United States" and "U.S." have the meanings given to them by Regulation S under the Securities Act.

Austria

The Placement Agent has represented and agreed that (i) the Notes may only be offered in the Republic of Austria in compliance with the provisions of the Austrian Capital Market Act and other laws applicable in the Republic of Austria governing the offer and sale of the Notes in the Republic of Austria; (ii) the Notes are not registered or otherwise authorised for public offer either under the Capital Market Act, the Investment Fund Act or any other securities regulation in Austria; (iii) the recipients of the Offering Memorandum and other selling material in respect of the Notes have been individually selected and are targeted exclusively on the basis of a private placement; (iv) the Notes have not been, and are not being offered or advertised publicly or offered similarly under either the Capital Market Act, the Investment Fund Act or any other securities regulation in Austria; and (v) any offers of the Notes have not been made to any persons other than the recipients to whom the Offering Memorandum is personally addressed.

Australia

- (a) The Placement Agent has acknowledged to the Issuer that no offering circular, prospectus or other disclosure document in relation to any Notes has been lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange; and
- (b) The Placement Agent has represented and agreed with the Issuer that they (directly or indirectly):
 - (i) have not:
 - (A) offered for issue or sale;
 - (B) invited applications for the issue of;
 - (C) invited applications for offers to purchase; or
 - (D) sold,any Notes;
 - (ii) will not:
 - (A) offer for issue or sale;
 - (B) invite applications for the issue of;
 - (C) invite applications for offers to purchase; or
 - (D) sell,any Notes; and

- (iii) have not distributed and will not distribute any draft, preliminary or definitive information memorandum, advertisements or other offering material relating to any Notes, in Australia unless:
 - (A)
 - (1) the amount payable on acceptance by each offeree or invitee for the Notes is a minimum amount (disregarding amounts, if any, lent by the Issuer or other person offering the Notes or an associate (as defined in the Corporations Act 2001 (Cth)) of the Placement Agent) of A\$500,000; or
 - (2) the offer or invitation is otherwise an offer or invitation for which no disclosure is required to be made under Part 6D.2 of the Corporations Act 2001 (Cth) and the Corporations Regulations made under the Corporations Act 2001 (Cth); and
 - (B) the offer, invitation or distribution complies with all applicable laws and regulations and directives in relation to the offer, invitation or distribution and does not require any document to be lodged with, or registered by, the Australian Securities and Investments Commission.

Cayman Islands

The Placement Agent has represented and agreed with the Issuer that no invitation to subscribe for the Notes may be made to the public in the Cayman Islands.

Denmark

The Placement Agent has represented and agreed with the Issuer that (a) the Offering Memorandum has not been and will not be filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in the Kingdom of Denmark, (b) the Notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark, unless in compliance with Chapters 6 or 12 of the Danish Act on Trading in Securities and executive orders issued pursuant thereto as amended from time to time and (c) the Offering Memorandum will not be made available nor will interests in the Issuer otherwise be marketed and offered for sale in Denmark other than in circumstances which are deemed not to be a marketing or an offer to the public in Denmark.

France

The Placement Agent has represented and agreed that they have not offered or sold, and will not offer or sell, directly or indirectly, the Notes to the public in the Republic of France and have not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France this Offering Memorandum or any other offering material relating to the Notes and that such offers, sales and distributions have been and will only be made in France to qualified investors (*investisseurs qualifiés*) or to a restricted circle of investors (*cercle restreint d'investisseurs*), all acting for their account and all as defined in, and in

accordance with, article L.411-2 of the French Code *monétaire et financier* and *décret* no. 98-880 dated 1st October, 1998.

In addition, the Placement Agent has represented and agreed that they have not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France this Offering Memorandum or any other offering material relating to the Notes other than to investors to whom offers and sales of the Notes in France may be made as described above and that this Offering Memorandum has not been submitted for approval (*visa*) by the *Autorité des Marchés Financiers* and does not constitute an offer for sale or subscription of securities.

Germany

The Placement Agent has represented to and agreed with the Issuer that the Notes have not been and will not be publicly offered (*öffentliches Angebot*) in Germany, and accordingly, no securities sales prospectus (*Verkaufsprospekt*) for a public offering of the Notes in Germany in accordance with the Securities Prospectus Act (*Wertpapierprospektgesetz*) has been or will be published or circulated in the Federal Republic of Germany. The Placement Agent confirms that it will comply with the Securities Prospectus Act. In particular the Placement Agent has represented that it has not engaged and agrees that it will not engage in a public offering (*öffentliches Angebot*) within the meaning of the Securities Prospectus Act with respect to any of the Notes otherwise than in accordance with the Securities Prospectus Act and all other applicable legal and regulatory requirements. Any resale of the Notes in the Federal Republic of Germany may only be made in accordance with the Securities Prospectus Act and all other laws applicable in the Federal Republic of Germany governing the sale and offering of securities.

Greece

The Placement Agent has represented and agreed with the Issuer that (i) the offering of the Notes described herein, including the Offering Memorandum is confidential and not for public use; (ii) this Offering Memorandum and all related materials are directed solely at persons who qualify as qualified investors. For the purposes of this paragraph, "qualified investors" has the meaning attributed to such term by Article 2 of Greek Law 3401/2005, which transposed into Greek law, directive 2003/71/EC on a prospectus to be published when securities are offered to the public or admitted to trading.

Ireland

The Placement Agent has represented to and agreed with the Issuer that:

- (a) it will not make any offer of the Notes in Ireland that would require the publication of a prospectus in respect of the offer in accordance with Regulation 12 of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland; and
- (b) in respect of a local offer (within the meaning of section 38(1) of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland (the "**2005 Act**")) of Notes in Ireland, it has complied and will comply with section 49 of the 2005 Act; and

- (c) it has only issued or passed on, and will only issue or pass on, in Ireland, any document received by it in connection with the issue of the Notes to persons who are persons to whom the document may otherwise lawfully be issued or passed on; and
- (d) it has not underwritten or placed and will not underwrite or place Notes otherwise than in conformity with the provisions of the Investment Intermediaries Act, 1995 of Ireland, as amended, including, without limitation, Sections 9 and 23 (including advertising restrictions made thereunder) thereof and the codes of conduct made under Section 37 thereof, or in, the case of a credit institution exercising its rights under the Banking Consolidation Directive (2000/12/EC of 20 March 2000) in conformity with the codes of conduct or practice made under Section 117(1) of the Central Bank Act, 1989, as amended, of Ireland.

Israel

The Placement Agent has represented and agreed with the Issuer that (a) this offer of Notes is intended solely for institutional investors, as listed in the First Supplement of the Israeli Securities Law, 1968; (b) no prospectus has been prepared or filed nor will be prepared or filed in Israel relating to the securities offered hereunder; and (c) they will only sell the Notes to an Israeli investor who has represented to the applicable Placement Agent that (i) it qualifies as an investor listed in the First Supplement of the Israeli Securities Law, 1968; and (ii) it is purchasing the securities for its own account and not for distribution or resale.

The Notes cannot be resold in Israel unless an exemption from the Israeli prospectus requirements is available.

Jersey

The Notes may not be offered to, sold to or purchased or held by persons (other than financial institutions) resident for income tax purposes in Jersey.

The Notes may only be issued or allotted exclusively to:

- (i) a person whose ordinary activities involve him in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of his business or who it is reasonable to expect will acquire, hold, arrange or dispose of investments (as principal or agent) for the purposes of his business; or
- (ii) a person who has received and acknowledged a warning to the effect that (a) the Notes are only suitable for acquisition by a person who (i) has a significantly substantial asset base such as would enable him to sustain any loss that might be incurred as a result of acquiring the Notes; and (ii) is sufficiently financially sophisticated to be reasonably expected to know the risks involved in acquiring the Notes and (b) neither the issue of the Notes nor the activities of any functionary with regard to the issue of the Notes are subject to all the provisions of the Financial Services (Jersey) Law 1998.

Each person who acquires Notes will be deemed, by such acquisition, to have represented that he or it is one of the foregoing persons.

New Zealand

The Placement Agent has represented and agreed with the Issuer that the Notes may not be offered, sold or delivered, directly or indirectly nor may any offering memorandum, any pricing supplement or advertisement in relation to any offer of Notes be distributed in New Zealand, other than:

- (a) to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, or who in all the circumstances can properly be regarded as having been selected other than as members of the public; or
- (b) in other circumstances where there is no contravention of the Securities Act 1978 of New Zealand.

Portugal

The Placement Agent has represented and agreed with the Issuer that: (i) it has not advertised, offered or sold and will not, directly or indirectly, advertise, offer or sell the Notes in circumstances which could qualify as a public offer of securities pursuant to the Portuguese Securities Code (*Código dos Valores Mobiliários*, the "CVM") which would require the publication by the Issuer of a prospectus under the Prospectus Directive or in circumstances which would qualify as an issue or public placement of securities in the Portuguese market; (ii) it has not distributed or caused to be distributed to the public in the Republic of Portugal the Offering Memorandum or any other offering material relating to the Notes; (iii) all applicable provisions of the CVM and any applicable *Comissão do Mercado de Valores Mobiliários* (Portuguese Securities Market Commission, the "CMVM") Regulations have been complied with regarding the Notes, in any matters involving the Republic of Portugal.

Spain

The Placement Agent has represented and agreed with the Issuer that the Notes may not be offered, sold or distributed in Spain other than by institutions authorised under the Securities Market Law 24/1988 of 28 July (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), and Royal Decree 867/2001 of 20 July on the Legal Regime Applicable to Investment Services Companies (*Real Decreto 867/2001, de 20 de julio, sobre el Régimen Jurídico de las empresas de servicio de inversión*), to provide investment services in Spain, and in compliance with the provisions of the Securities Market Law and any other applicable legislation.

Sweden

The Placement Agent has represented and agreed with the Issuer that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Sweden except in compliance with the laws of Sweden.

Switzerland

The Placement Agent has represented and agreed with the Issuer that:

- (a) the Notes may not and will not be publicly offered, distributed or redistributed in the Swiss Confederation ("**Switzerland**"), and neither this Offering Memorandum nor any other solicitation for investments in the Notes may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 1156 or 652a of the Swiss Code of Obligations.
- (b) no application for a listing of the Notes will be made on any Swiss stock exchange or other Swiss regulated market, and the Offering Memorandum will not comply with the information required under the relevant listing rules.

United Kingdom

The Placement Agent has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSM Act**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSM Act does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSM Act with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Issuer and the Collateral Manager extend to each prospective investor the opportunity, to ask questions of, and receive answers from, the Issuer 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 in order to verify the accuracy of the information set forth herein, to the extent the Issuer or the Collateral Manager possesses the same. Requests for such additional information can be directed to Banc of America Securities LLC, 9 West 57th Street, New York, NY 10019, Attention: Structured Securities Group.

No action is being taken or is contemplated by the Issuer that would permit a public offering of the Notes or possession or distribution of any offering memorandum (in preliminary or final form) or any amendment thereof, any supplement thereto or any other offering material relating to the Notes in any jurisdiction where, or in any other circumstances in which, action for those purposes is required. The Placement Agent understands and agrees that it is solely responsible for its own compliance with all laws applicable in each jurisdiction in which it offers and sells Notes or distributes any offering memorandum (in preliminary or final form) or any amendments thereof or supplements thereto or any other material, and it agrees to comply with all these laws.

The Issuer has agreed to indemnify the Placement Agent against certain liabilities, including liabilities under the Securities Act, or to contribute to payments it may be required to make in respect thereof.

Certain of the Collateral Debt Securities will have been originally underwritten, originated or placed by the Placement Agent or certain of its affiliates. In addition, the Placement Agent and its affiliates may have in the past and may in the future perform investment banking services, commercial banking services or other services for obligors of the Collateral Debt Securities.

In addition, the Placement Agent or any of its affiliates may from time to time, as a principal or through one or more investment funds that they manage, make investments in the equity securities of one or more of the obligors of Collateral Debt Securities with the result that one or more of such obligors may be or may become controlled by the Placement Agent or any of its affiliates.

FORM, DENOMINATION AND REGISTRATION

General

The Rated Notes, whether issued in definitive or global form, will be issued and transferable in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1.00 in excess thereof, and the Subordinated Notes, whether issued in definitive or global form, will be issued and transferable in minimum denominations of U.S.\$250,000 and integral multiples of U.S.\$1.00 in excess thereof (each such denomination, an "Authorized Denomination").

To enforce the restrictions on transfers of interests in the Securities, the Indenture permits the Issuer to demand that the purchaser of an interest in a Note who is determined not to meet the transfer restrictions applicable to such Note sell its interest in such Note to a permitted purchaser under the Indenture and, if the purchaser does not comply with such demand within 30 days thereof, the Issuer may sell or cause such purchaser to sell its interest in the Note on such terms as the Issuer may choose.

Rule 144A Global Rated Notes

Except as described under "—Physical Securities" below, the Rated Notes initially sold in the United States or to U.S. Persons (as defined in Regulation S under the Securities Act) pursuant to Rule 144A under the Securities Act will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (the "Rule 144A Global Rated Notes"). The Rule 144A Global Rated Notes will be deposited with the Trustee as custodian for DTC and will be registered in the name of Cede & Co. ("Cede"), as nominee of DTC.

All or a portion of an interest in a Rule 144A Global Rated Note may be transferred to a Person taking delivery in the form of an interest in a Rule 144A Global Rated Note in accordance with the applicable procedures of DTC (in addition to the requirements set forth in the Indenture); *provided* that any remaining principal amount of the transferor's interest in the Rule 144A Global Rated Note shall either equal zero or meet the required Authorized Denomination. In addition, all or a portion of an interest in a Rule 144A Global Rated Note may be transferred to a Person taking delivery in the form of an interest in a Regulation S Global Rated Note or exchanged for an interest in a Regulation S Global Rated Note in accordance with the applicable procedures of DTC, Clearstream and Euroclear (in addition to the requirements set forth in the Indenture); *provided* that the transferor (in the case of a transfer) or the Holder of a Note (in the case of an exchange) will represent that, among other things, the transfer or exchange is being made to a non-U.S. Person in an offshore transaction in accordance with Regulation S and only in a denomination greater than or equal to the required Authorized Denomination; *provided further* that any remaining principal amount of the transferor's interest in the Rule 144A Global Rated Note shall either equal zero or meet the Authorized Denomination.

Any interest in a Rule 144A Global Rated Note that is transferred to a Person taking delivery in the form of an interest in a Regulation S Global Rated Note will, upon transfer, cease to be an interest in such Rule 144A Global Rated Note and become an interest in the Regulation

S Global Rated Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to interests in a Regulation S Global Rated Note. No service charge will be made for any registration of transfer or exchange of an interest in a Rule 144A Global Rated Note, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. The Trustee will be permitted to request evidence satisfactory to it in documenting the identity and/or signature of the transferee and transferor of any Notes.

Transfers of interests in the Rule 144A Global Rated Notes are subject to certain additional restrictions. In particular, each transferee of an interest in a Rule 144A Global Rated Note will also be deemed to have made certain additional acknowledgments, representations and warranties as provided in the Indenture. See "Transfer Restrictions."

Regulation S Global Rated Notes

The Rated Notes sold on the Closing Date to non-U.S. Persons (as defined in Regulation S under the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act will be represented by one or more permanent global notes of the same Class in definitive, fully registered form without interest coupons attached (the "Regulation S Global Rated Notes"). The Regulation S Global Rated Notes will be deposited with the Trustee acting as custodian for DTC and will be registered in the name of Cede, as nominee of DTC, for credit to DTC participants holding such position on behalf of Euroclear and Clearstream, for further credit to the respective accounts of Euroclear and Clearstream.

Interests in the Regulation S Global Rated Notes may be held only through Euroclear or Clearstream.

All or a portion of an interest in a Regulation S Global Rated Note may be transferred to a Person taking delivery in the form of an interest in a Regulation S Global Rated Note in accordance with the applicable procedures of Clearstream or Euroclear (in addition to the requirements set forth in the Indenture); *provided* that any remaining principal amount of the transferor's interest in the Regulation S Global Rated Note shall either equal zero or meet the required Authorized Denomination. In addition, all or a portion of an interest in a Rated Note in the form of a Regulation S Global Rated Note may be transferred to a Person taking delivery in the form of an interest in a Rule 144A Global Rated Note or exchanged for an interest in a Rule 144A Global Rated Note, in accordance with the applicable procedures of DTC, Clearstream or Euroclear (or a Physical Security, as applicable) (in addition to the requirements set forth in the Indenture) upon receipt by the Trustee of a certificate from the transferor (in the case of a transfer) or the Holder of a Note (in the case of an exchange) in the form provided in the Indenture to the effect that, among other things, the transfer or exchange is to a Person that is (a) a QIB or an Accredited Investor and (b) a Qualified Purchaser, and only in a denomination greater than or equal to the required Authorized Denominations; *provided* that any remaining principal amount of the transferor's interest in the Regulation S Global Rated Note, as applicable, shall either equal zero or meet the required Authorized Denominations.

Any such interest in a Rated Note in the form of a Regulation S Global Rated Note that is transferred to a Person taking delivery in the form of a Rule 144A Global Rated Note (or a

Physical Security, as applicable) will, upon transfer, cease to be an interest in such Regulation S Global Rated Note and become an interest in the Rule 144A Global Rated Note (or a Physical Security, as applicable), and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to interests in such a Rated Note for as long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of an interest in a Regulation S Global Rated Note, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. The Trustee will be permitted to request evidence satisfactory to it in documenting the identity and/or signature of the transferee and transferor of any Notes.

Transfers of interests in the Regulation S Global Rated Notes will be subject to certain additional restrictions. In particular, each transferee of an interest in a Regulation S Global Rated Note will also either be deemed to have made certain additional acknowledgments, representations and warranties as provided in the Indenture. See "Transfer Restrictions."

Regulation S Global Subordinated Notes

The Subordinated Notes sold on the Closing Date to non-U.S. Persons (as defined in Regulation S under the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act will be represented by one or more permanent global notes of the same Class in definitive, fully registered form without interest coupons attached (the "**Regulation S Global Subordinated Notes**"). The Regulation S Global Subordinated Notes will be deposited with the Trustee acting as custodian for DTC and will be registered in the name of Cede, as nominee of DTC, for credit to DTC participants holding such position on behalf of Euroclear and Clearstream, for further credit to the respective accounts of Euroclear and Clearstream.

Interests in the Regulation S Global Subordinated Notes may be held only through Euroclear or Clearstream.

All or a portion of an interest in a Regulation S Global Subordinated Note may be transferred to a Person taking delivery in the form of an interest in a Regulation S Global Subordinated Note in accordance with the applicable procedures of Clearstream or Euroclear (in addition to the requirements set forth in the Indenture); *provided* that any remaining principal amount of the transferor's interest in the Regulation S Global Subordinated Note shall either equal zero or meet the required Authorized Denomination. In addition, all or a portion of an interest in a Subordinated Note in the form of a Regulation S Global Subordinated Note may be transferred to a Person taking delivery in the form of a Physical Subordinated Note in accordance with the applicable procedures of DTC, Clearstream or Euroclear (in addition to the requirements set forth in the Indenture) upon receipt by the Trustee of a certificate from the transferor (in the case of a transfer) or the Holder of a Note (in the case of an exchange) in the form provided in the Indenture to the effect that, among other things, the transfer or exchange is to a Person that is (a) a QIB or an Accredited Investor and (b) a Qualified Purchaser, and only in a denomination greater than or equal to the required Authorized Denominations; *provided* that any remaining principal amount of the transferor's interest in the Regulation S Global Subordinated Note shall either equal zero or meet the required Authorized Denominations.

Any such interest in a Note in the form of a Regulation S Global Subordinated Note that is transferred to a Person taking delivery in the form of a Physical Subordinated Note will, upon transfer, cease to be an interest in such Regulation S Global Subordinated Note and become an interest in the Physical Subordinated Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to interests in such a Note for as long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of an interest in a Regulation S Global Subordinated Note, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. The Trustee will be permitted to request evidence satisfactory to it in documenting the identity and/or signature of the transferee and transferor of any Notes.

Transfers of interests in the Regulation S Global Subordinated Notes will be subject to certain additional restrictions. In particular, each transferee of an interest in a Regulation S Global Subordinated Note will also either be deemed to have made certain additional acknowledgments, representations and warranties as provided in the Indenture. See "Transfer Restrictions."

Book Entry Registration of the Global Securities

The registered owner of the relevant Global Security will be the only Person entitled to receive payments in respect of the Securities represented by such Global Security, and the obligation of the Issuer to make payments or distributions in respect of such Securities will be discharged by payment to, or to the order of, the registered owner of such Global Security in respect of each amount so paid. No Person other than the registered owner of the relevant Global Security shall have any claim against the Issuer in respect of any payment due on that Global Security. Members of, or participants in, DTC as well as any other Persons on whose behalf such participants may act (including Euroclear and Clearstream and account holders and participants therein) will have no rights under the Indenture with respect to such Global Securities held on their behalf by the Trustee, as custodian for DTC, and DTC may be treated by the Issuer or the Trustee and any agent of the Issuer or the Trustee as the Holder of such Global Securities for all purposes whatsoever. Except in the limited circumstances described in the next paragraph, owners of beneficial interests in the Global Securities will not be entitled to have such Securities registered in their names, will not receive or be entitled to receive definitive physical securities and will not be considered holders of such Securities under the Indenture.

If (i) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Securities or DTC, Euroclear or Clearstream ceases to be a "Clearing Agency" (as defined in the Exchange Act) registered under the Exchange Act, and a successor depositary or clearing agency is not appointed by the Issuer within 90 days after receiving such notice, (ii) 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 become effective on or after the Closing Date, the Issuer, the Trustee, or the Paying Agent becomes aware that it is or will be required to make any deduction or withholding from any payment in respect of the Global Securities which would not be required if such Global Securities were not represented by a global note or (iii) an Event of Default under the Indenture has occurred and is continuing and has not been waived, the Issuer will issue or cause to be issued notes in registered form and in the form of definitive physical notes in

exchange for the applicable Global Securities to the beneficial owners of such Global Securities in the manner set forth in the Indenture (in the case of (i), (ii) or (iii), a "**Definitive Security Event**").

Investors may hold their interests in a Rule 144A Global Rated Note directly through DTC if they are participants in DTC, or indirectly through organizations which are participants in DTC. Investors may hold their interests in a Regulation S Global Rated Note, a Regulation S Global Subordinated Note directly through Clearstream or Euroclear, if they are participants in Clearstream or Euroclear, or indirectly through organizations which are participants in Clearstream or Euroclear. Clearstream and Euroclear will hold interests in the Regulation S Global Rated Notes, the Regulation S Global Subordinated Notes on behalf of their participants through their respective depositaries, which in turn will hold the interests in such Global Securities in customers' securities accounts in the depositaries' names on the books of DTC.

Payments of principal of and interest on a Global Security will be made to DTC or its nominee, as the registered owner thereof. The Issuer, the Trustee, the Paying Agent, the Placement Agent, the Collateral Manager and any of their respective Affiliates will not have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Security or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

The Issuer expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Security representing a Note held by DTC or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the stated principal amount of such Note as shown on the records of DTC or its nominee. The Issuer also expects that payments by participants to owners of beneficial interests in a Global Security held through the 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 names of nominees for such customers. The payments will be the responsibility of the participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in immediately available funds. If the laws of a jurisdiction require that certain persons take physical delivery of securities in definitive form, the ability to transfer beneficial interests in a Global Security to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a Person holding a beneficial interest in a Global Security to pledge its interest to a Person or entity that does not participate in the DTC system, or otherwise take actions in respect of its interest, may be affected by the lack of a physical security. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Securities 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 through DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as applicable, by its respective depositary; however, these cross-market transactions will require

delivery of instructions to Euroclear or Clearstream, as applicable, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time for Euroclear and Luxembourg time for Clearstream). Euroclear or Clearstream, as applicable, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in a Regulation S Global Security, and making or receiving payment in accordance with normal procedures for immediately available funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to the depositories for Clearstream or Euroclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Security from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the DTC settlement date and the credit of any transactions in interests in a Global Security settled during the processing day will be reported to the relevant Euroclear or Clearstream participant on that day. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Security by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream Cash account only as of the Business Day following settlement through DTC.

DTC has advised the Issuer that it will take any action permitted to be taken by Holders of the Securities only at the direction of one or more participants to whose account with DTC an interest in a Global Security is credited and only in respect of that portion of the principal balance of the applicable Notes as to which the participant or participants has or have given direction.

DTC is a limited purpose trust company organized under the laws of the State of New York, 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 also 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.

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

Any purported transfer of a Note not in accordance with the Indenture shall be null and void *ab initio* and shall not be given effect for any purpose whatsoever. However, without prejudice to the rights of the Issuer against any beneficial owner or purported beneficial owner of Securities, nothing in the Indenture, or the Notes, as applicable, shall be interpreted to confer on the Issuer, the Trustee, or any Paying Agent any right against Euroclear to require that Euroclear reverse or rescind any trade completed in accordance with the rules of Euroclear.

Physical Securities

All (i) Rule 144A Subordinated Notes and (ii) Notes sold to Accredited Investors who are U.S. persons, will be issued in the form of definitive, physical certificates in fully registered form (a "**Physical Rated Note**" or "**Physical Subordinated Note**," as applicable). The Physical Securities will be registered in the name of the beneficial owner or nominee thereof.

Subject to the restrictions on transfer set forth in the Indenture, the Holder of a Physical Security may transfer or exchange such Physical Security in whole or in part by surrendering such Physical Security at the designated office of the Trustee, together with an executed instrument of assignment and a transferee certificate substantially in the form attached to the Indenture. With respect to any Physical Security properly presented for transfer with all necessary accompanying documentation, the Trustee will deliver to the transferee (i) in the case of a Rated Note sold to an Accredited Investor who is a U.S. person, a Physical Rated Note, or (ii) in the case of the Subordinated Notes, a Physical Subordinated Note or an interest in a Regulation S Global Subordinated Note, in the principal or stated amount as may be requested. The presentation for transfer of any Physical Security will not be valid unless made at the designated office of the Trustee or at the office of a transfer agent by the registered Holder of the Physical Security in person, or by a duly authorized attorney-in-fact. The Holder of a Physical Security will not be required to bear the costs and expenses of effecting any transfer or registration of transfer, except that the relevant Holder of a Physical Security will be required to bear (i) the expenses of delivery by other than regular mail (if any) and (ii) if the Issuer or the Trustee so requires, the payment of a sum sufficient to cover any duty, stamp tax or governmental charge or insurance charges that may be imposed in relation thereto.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Securities. Purchasers of Securities represented by an interest in a Regulation S Global Security are advised that such interests are not transferable to U.S. Persons at any time except in accordance with the following restrictions.

Each prospective purchaser of Securities offered in reliance on Section 4(2) or Rule 144A (each, a "**144A Offeree**"), by accepting delivery of the Offering Memorandum, will be deemed to have represented and agreed as follows:

(1) The 144A Offeree acknowledges that the Offering Memorandum is personal to the 144A Offeree and does not constitute an offer to any other Person or to the public generally to subscribe for or otherwise acquire the Securities other than pursuant to Section 4(2) or Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Offering Memorandum, or disclosure of any of its contents to any Person other than the 144A Offeree and those persons, if any, retained to advise the 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorized and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

(2) The 144A Offeree agrees to make no photocopies of this Offering Memorandum or any documents referred to herein and, if the 144A Offeree does not purchase the Securities or the Offering is terminated, to return this Offering Memorandum and all documents referred to herein to Banc of America Securities LLC, 9 West 57th Street, New York, New York 10019, Attention: Structured Securities Group.

Under the Indenture, the Issuer will agree to comply with the requirements of Rule 144A relative to the dissemination of information to prospective purchasers in the secondary market.

Each purchaser of Securities, and each transferee, shall be required to make the representations and agreements set forth below as specified in the following table. Where the manner of representation is described as "Deemed," by its purchase of such Securities the purchaser or transferee shall be deemed to have made such representations and agreements. Where the manner of representation is described as "Letter," the purchaser or transferee shall be required to make such representations and agreements by delivering a transferee's letter (substantially in the form provided in the Indenture) to the Trustee. The Issuer, the Trustee, the Administrator, the Placement Agent and the Collateral Manager are presumed to have relied on such representations and agreements.

Class of Securities*	Form of Securities	Manner of Representation**	Required Representations and Agreements
Rated Notes (other than Class E Junior Notes)	Global Rule 144A	Deemed	1,2,3,4,5,6,7,8,9,10,11,12, 24,25,26,27,28
Rated Notes (other than Class E Junior Notes)	Global Regulation S	Deemed	3,4,7,8,9,10,11,12,14,15,24, 25,26,27,28

Class of Securities*	Form of Securities	Manner of Representation**	Required Representations and Agreements
Rated Notes (other than Class E Junior Notes) (if there is a Definitive Security Event or the Rated Note is sold to an Accredited Investor)	Physical	Letter	3,4,8,9,10,11,12,16,19,24, 25,27,28 and either: (x) 1 and 5 or (y)14
Rule 144A Global Class E Junior Notes	Global	Deemed	1,2,3,4,5,6,9,10,11,12, 24,25,26,27,28,29,30
Regulation S Global Class E Junior Notes	Global	Deemed	3,4,9,10,11,12,14,15,24, 25,26,27,28,29,30
Rule 144A Class E Junior Notes (if there is a Definitive Security Event or the Class E Junior Note is sold to an Accredited Investor)	Physical	Letter	1,2,3,4,5,9,10,11,12,16,24, 25,27,28,29,31
Regulation S Class E Junior Notes (if there is a Definitive Security Event or the Class E Junior Note is sold to an Accredited Investor)	Physical	Letter	3,4,9,10,11,12,14,16,24, 25,27,28,29,31
Regulation S Global Subordinated Notes	Global	Deemed	3,4,9,10,11,12,14,17,20,21,24,26,27, 28
Rule 144A Subordinated Notes	Physical	Letter	2,3,4,5,9,10,11,12,16,17,18,21,22,24, 27,28
Regulation S Subordinated Notes (if there is a Definitive Security Event)	Physical	Letter	3,4,9,10,11,12,14,16,17,21,22,24,27, 28

* With respect to all numbered representations, references to "Applicable Securities" shall be replaced with the relevant Class of Securities, as appropriate.

** With respect to numbered representations made (or deemed to be made) with respect to a transfer, references to "purchaser" shall be replaced with "transferee," as appropriate.

Terms used in the following representations and agreements that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein.

(1) The purchaser (A) (x) is a qualified institutional buyer that is not a broker-dealer that owns and invests on a discretionary basis less than U.S.\$25 million in securities of issuers that are not Affiliated persons of the dealer and 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, if investment decisions with respect to the plan are made by the beneficiaries of the plan or (y) an Accredited Investor (in which case the purchaser

acknowledges that it can purchase the Applicable Securities in the form of Physical Securities only), (B) is aware that the sale of the Applicable Securities to it may be being made in reliance on the exemption from registration provided by Rule 144A under the Securities Act and (C) is acquiring the Applicable Securities for its own account or for one or more accounts, each of which is a qualified institutional buyer, and as to each of which the purchaser exercises sole investment discretion, and in a principal amount of not less than the Authorized Denomination of such Security for the purchaser and for each such account. The purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Applicable Securities, and the purchaser and any accounts for which it is acting are each able to bear the economic risk of its investment.

(2) The purchaser understands that the Applicable Securities are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Applicable Securities have not been and will not be registered under the Securities Act, and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer the Applicable Securities, such Securities may be offered, resold, pledged or otherwise transferred only in accordance with the legend on such Securities described herein. The purchaser acknowledges that no representation is made by the Issuer or the Placement Agent as to the availability of any exemption under the Securities Act or any state securities laws for resale of the Applicable Securities.

(3) The purchaser understands that an investment in the Applicable Securities involves certain risks, including the risk of loss of a substantial part of its investment under certain circumstances. The purchaser has had access to such financial and other information concerning the Issuer and the Applicable Securities as it deemed necessary or appropriate in order to make an informed investment decision with respect to its acquisition of the Applicable Securities, including an opportunity to ask questions of and request information from the Issuer.

(4) In connection with the purchase of the Applicable Securities (*provided* that no such representation is made with respect to the Collateral Manager by any Affiliate of the Collateral Manager): (i) none of the Issuer, the Placement Agent, the Trustee, the Collateral Administrator or the Collateral Manager or their respective Affiliates is acting as a fiduciary or financial or investment adviser for the purchaser; (ii) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer, the Placement Agent, the Trustee, the Collateral Administrator or the Collateral Manager or their respective Affiliates other than any in a current Offering Memorandum for such Applicable Securities and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuer, the Placement Agent, the Trustee, the Collateral Administrator or the Collateral Manager or their respective Affiliates have given to the purchaser (directly or indirectly through any other Person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit (including legal, regulatory, tax, financial, accounting, or otherwise) of its purchase or the documentation for the Applicable Securities; (iv) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the documentation for the Applicable Securities) based upon its own judgment and upon any

advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuer, the Placement Agent, the Trustee, the Collateral Administrator or the Collateral Manager or their respective Affiliates; (v) the purchaser is purchasing the Applicable Securities with a full understanding of all of the terms, conditions and risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the purchaser is a sophisticated investor familiar with transactions similar to its investment in the Applicable Securities.

(5) The purchaser and each account for which the purchaser is acquiring Applicable Securities is a qualified purchaser for purposes of Section 3(c)(7) of the 1940 Act, the purchaser (or if the purchaser is acquiring Applicable Securities for any account, each such account) is acquiring the Applicable Securities as principal for its own account for investment and not for sale in connection with any distribution thereof, the purchaser and each such account was not formed solely for the purpose of investing in the Applicable Securities and is not a (i) partnership, (ii) common trust fund or (iii) special trust, pension fund or retirement plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made, and the purchaser and each such account agrees that it shall not hold such Applicable Securities for the benefit of any other Person and shall be the sole beneficial owner thereof for all purposes and that it shall not sell participation interests in the Applicable Securities or enter into any other arrangement pursuant to which any other Person shall be entitled to a beneficial interest in the distributions on the Applicable Securities and further that the Applicable Securities purchased directly or indirectly by it constitute an investment of no more than 40% of the purchaser's and each such account's assets. The purchaser understands and agrees that any purported transfer of the Applicable Securities to a purchaser that does not comply with the requirements of this paragraph shall be null and void *ab initio*.

(6) The purchaser understands that the Applicable Securities will bear the legend set forth herein, and will be represented by one or more Rule 144A Global Rated Notes. The Applicable Securities may not at any time be held by or on behalf of U.S. Persons that are not qualified institutional buyers. Before any interest in a Rule 144A Global Rated Note may be offered, resold, pledged or otherwise transferred to a Person who takes delivery in the form of an interest in a Regulation S Global Rated Note, the transferor will be required to provide the Trustee with a written certification (in the form provided in the Indenture) as to compliance with the transfer restrictions.

(7) The Applicable Securities will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (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 THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS

LESS THAN U.S.\$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND 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, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN AN AUTHORIZED DENOMINATION FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, AND WHO IS ALSO A QUALIFIED PURCHASER (FOR PURPOSES OF THE 1940 ACT), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO BELOW, AND WHICH MAY IN EITHER CASE BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE 1940 ACT EXCEPTION, (2) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT (PROVIDED, THAT, IN THE CASE OF ANY TRANSFER OF THIS NOTE TO AN ACCREDITED INVESTOR, THE TRANSFEROR OR THE TRANSFEREE HAS PROVIDED AN OPINION OF COUNSEL TO THE TRUSTEE AND THE ISSUER THAT SUCH TRANSFER MAY BE MADE PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT) AND WHO IS ALSO A QUALIFIED PURCHASER (FOR PURPOSES OF THE 1940 ACT) OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF THIS NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING 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 ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT, UNDER THE INDENTURE, TO COMPEL ANY NON-PERMITTED HOLDER (AS DEFINED IN THE INDENTURE) TO SELL ITS INTEREST IN THE NOTES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.

THE PRINCIPAL AMOUNT OF THIS NOTE IS PAYABLE AND TRANSFERABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

EACH PURCHASER AND EACH TRANSFEREE OF THIS NOTE OR ANY INTEREST HEREIN, AND EACH FIDUCIARY ACTING ON BEHALF OF THE PURCHASER OR TRANSFEREE, WILL BE REQUIRED TO REPRESENT (OR IN CERTAIN CIRCUMSTANCES WILL BE DEEMED TO REPRESENT), WITH RESPECT TO EACH DAY IT HOLDS THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EITHER (1) THAT THE PURCHASER OR TRANSFEREE IS NOT AND WILL NOT BE A BENEFIT PLAN INVESTOR WITHIN THE MEANING OF SECTION 3(42) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED ("CODE") ("SIMILAR LAW"), AND NO PART OF THE ASSETS TO BE USED BY IT TO PURCHASE OR HOLD THIS NOTE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF A BENEFIT PLAN INVESTOR OR SUCH GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (2) THAT THE PURCHASER'S OR THE TRANSFEREE'S PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN WILL NOT CONSTITUTE OR 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, CHURCH OR NON-U.S. PLAN DOES NOT AND WILL NOT CONSTITUTE A NON-EXEMPT VIOLATION UNDER ANY SIMILAR LAW).

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("**DTC**"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS NOTE IN WHOLE, BUT NOT IN PART, SHALL BE LIMITED TO TRANSFERS TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE, AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO HEREIN.

(8) On each day that the purchaser holds Applicable Securities, the purchaser, and any account on behalf of which the purchaser is purchasing the Applicable Securities, and each fiduciary acting on behalf of the purchaser, either (A) is not and will not be (and is not acting on behalf of and will not be acting on behalf of) a Benefit Plan Investor within the meaning of

Section 3(42) of ERISA, or a governmental, church or non-U.S. plan that is subject to any Similar Law or (B) its purchase, holding and disposition of Applicable Securities will not constitute or 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, church or non-U.S. plan, does not and will not constitute a non-exempt violation of any Similar Law).

(9) The purchaser will not, at any time, offer to buy or offer to sell the Applicable Securities by any form of general solicitation or advertising, including, but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio or seminar or meeting whose attendees have been invited by general solicitations or advertising.

(10) The purchaser is not purchasing the Applicable Securities with a view to the resale, distribution or other disposition thereof in violation of the Securities Act.

(11) The purchaser will provide notice to each Person to whom it proposes to transfer any interest in the Applicable Securities of the transfer restrictions and representations set forth in Section 2.5 of the Indenture (including the exhibits referenced in such Section 2.5).

(12) The purchaser understands that the Issuer has the right under the Indenture to compel any Non-Permitted Holder to sell its interest in the Applicable Securities or may sell such interest in the Applicable Securities on behalf of such owner.

(13) [Reserved].

(14) The purchaser and each beneficial owner of the Applicable Securities that it holds is not, and will not be, a U.S. Person as defined in Regulation S under the Securities Act or a U.S. resident for purposes of the 1940 Act, and its purchase of the Applicable Securities will comply with all applicable laws in any jurisdiction in which it resides or is located. The purchaser is aware that the sale of Applicable Securities to it is being made in reliance on the exemption from registration provided by Regulation S.

(15) The purchaser understands that the Applicable Securities offered in reliance on Regulation S will bear the legend set forth herein and be represented by one or more Regulation S Global Rated Notes. The Applicable Securities so represented may not at any time be held by or on behalf of U.S. Persons as defined in Regulation S under the Securities Act. Before any interest in a Regulation S Global Security may be offered, resold, pledged or otherwise transferred to a Person who takes delivery in the form of an interest in a Rule 144A Global Rated Note, the transferor will be required to provide the Trustee with a written certification (in the form provided in the Indenture) as to compliance with the transfer restrictions.

(16) Before any interest in physical Applicable Securities may be offered, resold, pledged or otherwise transferred the transferee will be required to provide the Trustee with a written certification (in the form provided in the Indenture) as to compliance with the transfer restrictions.

(17) In the case of the Regulation S Subordinated Notes, (x) the purchaser is not using and will not use to purchase or hold such Regulation S Subordinated Notes (or any interests

therein), funds that are assets of (i) an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to the provisions of Part 4 of Subtitle B of Title I of ERISA, (ii) a "plan" that is subject to the prohibited transaction provisions of Section 4975 of the Code (the persons or entities described in clauses (i) and (ii) being referred to herein as "Benefit Plans") or (iii) any entity whose assets are treated as "plan assets" under ERISA by reason of such Benefit Plan's investment in the entity, including for this purpose, the general account of an insurance company any of whose underlying assets constitute "plan assets" within the meaning of Section 401(c) of ERISA or a wholly owned subsidiary of such general account (the persons and entities described in this clause (iii), together with Benefit Plans, being referred to as "Benefit Plan Investors") and (y) if the purchaser is a governmental, church, non-U.S. or other plan which is subject to any Federal, state, local or non-U.S. law substantially similar to Title I of ERISA or Section 4975 of the Code, the acquisition, holding and disposition in the Regulation S Subordinated Notes (or any beneficial interest therein) by the purchaser will not result in a non-exempt violation of any Similar Law, and will not subject the Issuer or the Collateral Manager to any laws, rules, or regulations applicable to such plan solely as a result of the investments in such Issuer by such a plan. In the case of the Regulation S Subordinated Notes, the purchaser will be required to certify (or in certain circumstances will be deemed to represent and warrant) that it is not the Collateral Manager or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer or that provides investment advice for a fee (direct or indirect) with respect to such assets, or an "affiliate" (as defined in 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (such a person, a "Controlling Person"). The purchaser acknowledges that a purchase or proposed transfer of Regulation S Subordinated Notes will not be permitted, and the Trustee will not register any such purchase by or proposed transfer to a person that has represented that it is a Benefit Plan Investor. In the case of the Rule 144A Subordinated Notes, the purchaser will be required to certify whether or not it is a Benefit Plan Investor or a Controlling Person. The purchaser acknowledges that a purchase or proposed transfer of a Rule 144A Subordinated Note or any interest therein will not be permitted, and the Trustee will not register any such purchase by or proposed transfer to a person that has represented that it is a Benefit Plan Investor or a Controlling Person to the extent that such purchase or transfer would result in persons that have represented that they are Benefit Plan Investors owning 25% (or such greater percentage as may be specified in regulations promulgated by the U.S. Department of Labor) or more of the value of the Aggregate Outstanding Amount of the Subordinated Notes (determined after excluding Subordinated Notes held by Controlling Persons) immediately after such purchase or transfer (determined in accordance with ERISA and the Plan Asset Regulation and the Indenture). If the purchaser of the Rule 144A Subordinated Notes is a Benefit Plan Investor, its investment in the Rule 144A Subordinated Notes will not constitute a non-exempt prohibited transaction in violation of Section 406 of ERISA or Section 4975 of the Code (or, if the purchaser is, or is investing the assets of a governmental, church, or non-U.S. plan, its investment in the Rule 144A Subordinated Notes will not result in a non-exempt violation of any Similar Law, and will not subject the Issuer or the Collateral Manager to any laws, rules, or regulations applicable to such plan solely as a result of the investments in such Issuer by such a plan). The purchaser agrees that no interest in a Subordinated Note sold in reliance on Regulation S may be transferred to any persons that are Benefit Plan Investors or Controlling Persons and that each transferee of an interest in a Regulation S Subordinated Note will be deemed to represent that such owner shall not transfer such interest except in compliance with the transfer restrictions set forth in the

Indenture (including the requirement that no Regulation S Subordinated Note may be transferred to a Benefit Plan Investor or a Controlling Person). The purchaser, and any fiduciary of the purchaser causing it to acquire the Subordinated Notes, agrees to indemnify and hold harmless the Issuer, the Trustee, the Collateral Manager, the Collateral Administrator, the Administrator, the Placement Agent and their respective Affiliates from any cost, damage or loss incurred by them as a result of any of the representations being made by it pursuant to this paragraph being or becoming false. Any purported purchase or transfer of Subordinated Notes by a purchaser or to a transferee that does not comply with the foregoing shall be null and void *ab initio* and will not operate to transfer any rights to the purchaser, notwithstanding any instructions to the contrary to the Issuer, the Trustee or any intermediary.

(18) The purchaser (A) is a qualified institutional buyer (within the meaning of Rule 144A under the Securities Act), a non-U.S. Person (as defined in Regulation S under the Securities Act) or an accredited investor (within the meaning of Regulation D under the Securities Act), (B) is aware that the sale of the Applicable Securities to it is being made in reliance on the exemption from registration under the Securities Act and (C) is acquiring the Applicable Securities for its own account (and not for the account of any family or other trust, any family member or any other person) and in an Authorized Denomination. The purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Applicable Securities, and the purchaser is able to bear the economic risk of the purchaser's investment. If the transferee is not a qualified institutional buyer or a non-U.S. Person, the transferor or the transferee must provide an opinion of counsel, which counsel is acceptable to the Trustee and the Issuer, that such transfer may be made pursuant to an exemption from registration under the Securities Act.

(19) The Applicable Securities that are Physical Securities will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (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 THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND 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, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN AN AUTHORIZED DENOMINATION FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A SO LONG AS THIS NOTE IS

ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, AND WHO IS ALSO A QUALIFIED PURCHASER (FOR PURPOSES OF THE 1940 ACT), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO BELOW, AND WHICH MAY IN EITHER CASE BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE 1940 ACT EXCEPTION, (2) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT (PROVIDED, THAT, IN THE CASE OF ANY TRANSFER OF THIS NOTE TO AN ACCREDITED INVESTOR, THE TRANSFEROR OR THE TRANSFEREE HAS PROVIDED AN OPINION OF COUNSEL TO THE TRUSTEE AND THE ISSUER THAT SUCH TRANSFER MAY BE MADE PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT) AND WHO IS ALSO A QUALIFIED PURCHASER (FOR PURPOSES OF THE 1940 ACT) OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF THIS NOTE WILL BE REQUIRED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING 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 ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT, UNDER THE INDENTURE, TO COMPEL ANY NON-PERMITTED HOLDER (AS DEFINED IN THE INDENTURE) TO SELL ITS INTEREST IN THE NOTES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.

THE PRINCIPAL AMOUNT OF THIS NOTE IS PAYABLE AND TRANSFERABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

EACH PURCHASER AND EACH TRANSFEREE OF THIS NOTE OR ANY INTEREST HEREIN, AND EACH FIDUCIARY ACTING ON BEHALF OF THE PURCHASER OR TRANSFEREE, WILL BE REQUIRED TO REPRESENT, WITH RESPECT TO EACH DAY IT HOLDS THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EITHER (1) THAT THE PURCHASER OR TRANSFEREE IS NOT AND WILL NOT BE A BENEFIT PLAN INVESTOR WITHIN THE MEANING OF SECTION 3(42) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR THE U.S. INTERNAL

REVENUE CODE OF 1986, AS AMENDED ("CODE") ("SIMILAR LAW"), AND NO PART OF THE ASSETS TO BE USED BY IT TO PURCHASE OR HOLD THIS NOTE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF A BENEFIT PLAN INVESTOR OR SUCH GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (2) THAT THE PURCHASER'S OR THE TRANSFEREE'S PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN WILL NOT CONSTITUTE OR 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, CHURCH OR NON-U.S. PLAN DOES NOT AND WILL NOT CONSTITUTE A NON-EXEMPT VIOLATION UNDER ANY SIMILAR LAW).

(20) The Applicable Securities will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

THIS NOTE IS SUBJECT TO RESTRICTIONS ON TRANSFER SET FORTH IN THE INDENTURE REFERRED TO HEREIN. THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER RELEVANT JURISDICTION, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT: (A) TO A TRANSFEREE THAT IS A QUALIFIED PURCHASER (AS DEFINED IN THE INDENTURE) THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT (PROVIDED, THAT, IN THE CASE OF ANY TRANSFER OF THIS NOTE TO AN ACCREDITED INVESTOR, THE TRANSFEROR OR THE TRANSFEREE HAS PROVIDED AN OPINION OF COUNSEL TO THE TRUSTEE AND THE ISSUER THAT SUCH TRANSFER MAY BE MADE PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT), (B) TO A TRANSFEREE THAT IS A QUALIFIED PURCHASER (AS DEFINED IN THE INDENTURE) THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, ACTING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF ONE OR MORE PERSONS WITH RESPECT TO WHICH THE TRANSFEREE EXERCISES SOLE INVESTMENT DISCRETION, EACH OF WHICH IS A QUALIFIED PURCHASER THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AND NONE OF WHICH ARE (X) A DEALER OF THE TYPE DESCRIBED IN PARAGRAPH (a)(1)(ii) OF RULE 144A UNLESS IT OWNS AND INVESTS ON A DISCRETIONARY BASIS NOT LESS THAN U.S.\$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED TO IT, (Y) A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN, OR ANY OTHER TYPE OF 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 OR (Z) FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHERE EACH BENEFICIAL OWNER IS A QUALIFIED PURCHASER), 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 (C) TO A TRANSFEREE THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATIONS) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS, ACTING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF ONE OR MORE PERSONS WITH RESPECT TO WHICH IT EXERCISES SOLE INVESTMENT DISCRETION, EACH OF WHICH IS NOT A U.S. PERSON (AS DEFINED IN REGULATIONS), AND IN EACH CASE IN COMPLIANCE WITH THE CERTIFICATIONS AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND ANY SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER RELEVANT JURISDICTION.

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A REGULATIONS SUBORDINATED NOTE OR AN INTEREST HEREIN WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON. IN ADDITION, EACH PURCHASER AND EACH TRANSFEREE OF A REGULATIONS SUBORDINATED NOTE OR AN INTEREST THEREIN SHALL BE FURTHER DEEMED TO REPRESENT AND WARRANT THAT (I) IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF) A GOVERNMENTAL, CHURCH OR NON-US PLAN WHICH IS SUBJECT TO ANY LAW AND/OR LAWS OR REGULATIONS THAT PROVIDE THAT THE ASSETS OF THE ISSUER COULD BE DEEMED TO INCLUDE PLAN ASSETS AND (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE OR ANY BENEFICIAL INTEREST THEREIN WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A VIOLATION OF ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), AND WILL NOT SUBJECT THE ISSUER OR THE COLLATERAL MANAGER TO ANY LAWS, RULES OR REGULATIONS APPLICABLE TO SUCH PLAN SOLELY AS A RESULT OF THE INVESTMENTS IN THE ISSUER BY SUCH PLAN. EACH PURCHASER AND EACH TRANSFEREE OF A RULE 144A SUBORDINATED NOTE WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON (EACH, AS DEFINED BELOW). NO INITIAL PURCHASE OR TRANSFER OF RULE 144A SUBORDINATED NOTES WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER UNLESS, AFTER GIVING EFFECT TO SUCH TRANSFER, LESS THAN 25% (OR SUCH GREATER PERCENTAGE AS MAY BE SPECIFIED IN REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR) OF THE SUBORDINATED NOTES WOULD BE HELD BY BENEFIT PLAN INVESTORS (DETERMINED AFTER DISREGARDING SUBORDINATED NOTES HELD BY PERSONS OTHER THAN BENEFIT PLAN INVESTORS WHO HAVE DISCRETIONARY AUTHORITY OR

CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER, OR WHO PROVIDE INVESTMENT ADVICE FOR A FEE, DIRECT OR INDIRECT, WITH RESPECT TO SUCH ASSETS, OR ANY AFFILIATES OF SUCH PERSONS (EACH, A "CONTROLLING PERSON"). A "BENEFIT PLAN INVESTOR" INCLUDES AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A "PLAN" THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND ANY ENTITY WHOSE ASSETS ARE TREATED AS "PLAN ASSETS" PURSUANT TO ERISA, INCLUDING FOR THIS PURPOSE THE GENERAL ACCOUNT OF AN INSURANCE COMPANY ANY OF WHOSE UNDERLYING ASSETS CONSTITUTE "PLAN ASSETS" WITHIN THE MEANING OF SECTION 401(c) OF ERISA AND A WHOLLY OWNED SUBSIDIARY OF SUCH A GENERAL ACCOUNT. AN INVESTOR THAT IS A BENEFIT PLAN INVESTOR WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN THE RULE 144A SUBORDINATED NOTES WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF AN INVESTOR THAT IS, OR IS INVESTING THE ASSETS OF A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN SUBORDINATED NOTES WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR THE CODE, AND WILL NOT SUBJECT THE ISSUER OR THE COLLATERAL MANAGER TO ANY LAWS, RULES, OR REGULATIONS APPLICABLE TO SUCH PLAN SOLELY AS A RESULT OF THE INVESTMENTS IN SUCH ISSUER BY SUCH A PLAN). IN THE EVENT THAT THE ISSUER DETERMINES THAT (AFTER A TRANSFER) 25% (OR SUCH GREATER PERCENTAGE AS MAY BE PROVIDED IN REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR) OR MORE OF THE SUBORDINATED NOTES ARE HELD BY BENEFIT PLAN INVESTORS, AS DETERMINED UNDER ERISA AND REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR, THE ISSUER MAY CAUSE A SALE OR TRANSFER IN ORDER TO REDUCE THE PERCENTAGE OF THE SUBORDINATED NOTES HELD BY BENEFIT PLAN INVESTORS. NO REGULATIONS SUBORDINATED NOTE OR AN INTEREST HEREIN MAY BE ACQUIRED BY OR TRANSFERRED TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH SUCH ACQUIRER OR TRANSFEREE WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT, AND WILL NOT BECOME, A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON WHILE IT HOLDS SUCH REGULATIONS SUBORDINATED NOTE OR INTEREST HEREIN.

THE PURCHASER, AND ANY FIDUCIARY OF THE PURCHASER CAUSING IT TO ACQUIRE AN INTEREST IN ANY SUBORDINATED NOTES, AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE TRUSTEE, THE NOTE

REGISTRAR, THE COLLATERAL MANAGER, THE COLLATERAL ADMINISTRATOR, THE ADMINISTRATOR, THE PLACEMENT AGENT AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

THE ISSUER MAY REQUIRE ANY HOLDER OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WHO IS A U.S. PERSON (AS DEFINED IN REGULATION S) WHO WAS NEITHER (A) BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER NOR (B) BOTH AN ACCREDITED INVESTOR AND A QUALIFIED PURCHASER AT THE TIME OF ACQUISITION OF THIS NOTE (OR SUCH INTEREST HEREIN) SUBORDINATED NOTES ONLY TO TRANSFER THIS NOTE (OR SUCH INTEREST) TO A TRANSFEREE THAT IS (X) BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, OR (Y) NOT A U.S. PERSON (AS DEFINED IN REGULATION S) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S.

ANY TRANSFER IN VIOLATION OF THE FOREGOING 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 ISSUER, THE TRUSTEE OR ANY INTERMEDIARY.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE PAYING AGENT.

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

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY IN WHOLE, BUT NOT IN PART, SHALL BE LIMITED TO TRANSFERS TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE, AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO HEREIN.

(21) The purchaser understands that an investment in the Applicable Securities involves certain risks, including the risk of loss of all or a substantial part of its investment under certain circumstances. The purchaser understands that the Applicable Securities will be highly illiquid and are not suitable for short term trading. The Applicable Securities are a leveraged investment in a portfolio of high yield debt securities and loans, which may expose the Applicable Securities to disproportionately large changes in value. Payment of interest with respect to the Applicable Securities is not guaranteed as it is dependent on the performance of the portfolio of Collateral Debt Securities. The purchaser understands that it is possible that, due to the structure of the transaction and the performance of the portfolio, payments on the Applicable Securities may be deferred, reduced or eliminated entirely. Furthermore, the Applicable Securities will rank below the Securities that have a superior prior claim on the portfolio. The Issuer has assets limited to the Collateral Debt Securities for payment of all Classes of the Securities and the Applicable Securities bear the first risk of loss. The purchaser has had access to such financial and other information concerning the Issuer and the Applicable Securities as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Applicable Securities, including an opportunity to ask questions of and request information from the Issuer.

(22) The Applicable Securities that are Physical Securities will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

THIS NOTE IS SUBJECT TO RESTRICTIONS ON TRANSFER SET FORTH IN THE INDENTURE REFERRED TO HEREIN. THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER RELEVANT JURISDICTION, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT: (A) TO A TRANSFEREE THAT IS A QUALIFIED PURCHASER (AS DEFINED IN THE INDENTURE) THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT (PROVIDED, THAT, IN THE CASE OF ANY TRANSFER OF THIS NOTE TO AN ACCREDITED INVESTOR, THE TRANSFEROR OR THE TRANSFEREE HAS PROVIDED AN OPINION OF COUNSEL TO THE TRUSTEE AND THE ISSUER THAT SUCH TRANSFER MAY BE MADE PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT), (B) TO A TRANSFEREE THAT IS A QUALIFIED PURCHASER (AS DEFINED IN THE INDENTURE) THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, ACTING FOR

ITS OWN ACCOUNT OR THE ACCOUNT OF ONE OR MORE PERSONS WITH RESPECT TO WHICH THE TRANSFEREE EXERCISES SOLE INVESTMENT DISCRETION, EACH OF WHICH IS A QUALIFIED PURCHASER THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AND NONE OF WHICH ARE (X) A DEALER OF THE TYPE DESCRIBED IN PARAGRAPH (a)(1)(ii) OF RULE 144A UNLESS IT OWNS AND INVESTS ON A DISCRETIONARY BASIS NOT LESS THAN U.S.\$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED TO IT, (Y) A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN, OR ANY OTHER TYPE OF 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 OR (Z) FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHERE EACH BENEFICIAL OWNER IS A QUALIFIED PURCHASER), 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 (C) TO A TRANSFEREE THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S, ACTING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF ONE OR MORE PERSONS WITH RESPECT TO WHICH IT EXERCISES SOLE INVESTMENT DISCRETION, EACH OF WHICH IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S), AND IN EACH CASE IN COMPLIANCE WITH THE CERTIFICATIONS AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND ANY SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER RELEVANT JURISDICTION.

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A REGULATION S SUBORDINATED NOTE OR AN INTEREST HEREIN WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON. IN ADDITION, EACH PURCHASER AND EACH TRANSFEREE OF A REGULATION S SUBORDINATED NOTE OR AN INTEREST THEREIN SHALL BE FURTHER DEEMED TO REPRESENT AND WARRANT THAT (I) IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF) A GOVERNMENTAL, CHURCH OR NON-US PLAN WHICH IS SUBJECT TO ANY LAW AND/OR LAWS OR REGULATIONS THAT PROVIDE THAT THE ASSETS OF THE ISSUER COULD BE DEEMED TO INCLUDE PLAN ASSETS AND (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE OR ANY BENEFICIAL INTEREST THEREIN WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A VIOLATION OF ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), AND WILL NOT SUBJECT THE ISSUER OR THE COLLATERAL MANAGER TO ANY LAWS, RULES OR REGULATIONS APPLICABLE TO SUCH PLAN SOLELY AS A

RESULT OF THE INVESTMENTS IN THE ISSUER BY SUCH PLAN. EACH PURCHASER AND EACH TRANSFEREE OF A RULE 144A SUBORDINATED NOTE WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON (EACH, AS DEFINED BELOW). NO INITIAL PURCHASE OR TRANSFER OF RULE 144A SUBORDINATED NOTES WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER UNLESS, AFTER GIVING EFFECT TO SUCH TRANSFER, LESS THAN 25% (OR SUCH GREATER PERCENTAGE AS MAY BE SPECIFIED IN REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR) OF THE SUBORDINATED NOTES WOULD BE HELD BY BENEFIT PLAN INVESTORS (DETERMINED AFTER DISREGARDING SUBORDINATED NOTES HELD BY PERSONS OTHER THAN BENEFIT PLAN INVESTORS WHO HAVE DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER, OR WHO PROVIDE INVESTMENT ADVICE FOR A FEE, DIRECT OR INDIRECT, WITH RESPECT TO SUCH ASSETS, OR ANY AFFILIATES OF SUCH PERSONS (EACH, A "CONTROLLING PERSON")). A "BENEFIT PLAN INVESTOR" INCLUDES AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, A "PLAN" THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND ANY ENTITY WHOSE ASSETS ARE TREATED AS "PLAN ASSETS" PURSUANT TO ERISA, INCLUDING FOR THIS PURPOSE THE GENERAL ACCOUNT OF AN INSURANCE COMPANY ANY OF WHOSE UNDERLYING ASSETS CONSTITUTE "PLAN ASSETS" WITHIN THE MEANING OF SECTION 401(c) OF ERISA AND A WHOLLY OWNED SUBSIDIARY OF SUCH A GENERAL ACCOUNT. AN INVESTOR THAT IS A BENEFIT PLAN INVESTOR WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN THE RULE 144A SUBORDINATED NOTES WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF AN INVESTOR THAT IS, OR IS INVESTING THE ASSETS OF A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN SUBORDINATED NOTES WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR THE CODE.

IN THE EVENT THAT THE ISSUER DETERMINES THAT (AFTER A TRANSFER) 25% (OR SUCH GREATER PERCENTAGE AS MAY BE PROVIDED IN REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR) OR MORE OF THE SUBORDINATED NOTES ARE HELD BY BENEFIT PLAN INVESTORS, AS DETERMINED UNDER ERISA AND REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR, THE ISSUER MAY CAUSE A SALE OR TRANSFER IN ORDER TO REDUCE THE PERCENTAGE OF THE SUBORDINATED NOTES HELD BY BENEFIT PLAN INVESTORS. NO

REGULATION S SUBORDINATED NOTE OR AN INTEREST HEREIN MAY BE ACQUIRED BY OR TRANSFERRED TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH SUCH ACQUIRER OR TRANSFEREE WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT, AND WILL NOT BECOME, A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON WHILE IT HOLDS SUCH REGULATION S SUBORDINATED NOTE OR INTEREST HEREIN.

THE PURCHASER, AND ANY FIDUCIARY OF THE PURCHASER CAUSING IT TO ACQUIRE AN INTEREST IN ANY SUBORDINATED NOTES, AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE TRUSTEE, THE NOTE REGISTRAR, THE COLLATERAL MANAGER, THE COLLATERAL ADMINISTRATOR, THE ADMINISTRATOR, THE PLACEMENT AGENT AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

THE ISSUER MAY REQUIRE ANY HOLDER OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WHO IS A U.S. PERSON (AS DEFINED IN REGULATION S) WHO WAS NEITHER (A) BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER NOR (B) BOTH AN ACCREDITED INVESTOR AND A QUALIFIED PURCHASER AT THE TIME OF ACQUISITION OF THIS NOTE (OR SUCH INTEREST HEREIN) SUBORDINATED NOTES ONLY TO TRANSFER THIS NOTE (OR SUCH INTEREST) TO A TRANSFEREE THAT IS (X) BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, OR (Y) NOT A U.S. PERSON (AS DEFINED IN REGULATION S) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S.

ANY TRANSFER IN VIOLATION OF THE FOREGOING 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 ISSUER, THE TRUSTEE OR ANY INTERMEDIARY.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE PAYING AGENT.

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

(23) [Reserved.]

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

(25) The Applicable Securities will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

[THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THIS NOTE MAY BE OBTAINED BY WRITING TO SYMPHONY CLO IV, ATTN: DIRECTORS, AT C/O MAPLES FINANCE LIMITED, P.O. BOX 1093 GT, BOUNDARY HALL, CRICKET SQUARE, GEORGE TOWN, GRAND CAYMAN, CAYMAN ISLANDS.]¹

(26) The purchaser understands that the Issuer may receive a list of participants holding positions in the Securities from one or more book-entry depositaries, including DTC, Euroclear and Clearstream.

(27) Each Holder and beneficial owner of a Note that is not a "United States person" (as defined in Section 7701(a)(30) of the Code) will make, or by acquiring such Note or an interest therein will be deemed to make, a representation to the effect that (A) either (i) it is not a bank (within the meaning of Section 881(c)(3)(A) of the Code) or an affiliate of a bank, or (ii) it is a person that is eligible for benefits under an income tax treaty with the United States that eliminates U.S. Federal income taxation of U.S. source interest not attributable to a permanent establishment in the United States, and (B) it is not purchasing the Note in order to reduce its U.S. Federal income tax liability pursuant to a tax avoidance plan with respect to U.S. Federal income taxes (including any plan to circumvent the exceptions to the application of the portfolio interest rules under the Code).

(28) Each Holder and beneficial owner understands that the Issuer may require certification acceptable to it to permit the Issuer to make payments to it without, or at a reduced rate of, withholding. Each Holder and beneficial owner agrees to provide any such certification that is requested by the Issuer. If a Holder and beneficial owner is purchasing (i) Rated Notes, each Holder and beneficial owner agrees to treat the Rated Notes as debt of the Issuer for U.S. tax purposes or (ii) Subordinated Notes, each Holder and beneficial owner agrees to treat the Subordinated Notes as equity of the Issuer for U.S. tax purposes, and in either case further agrees to take no action inconsistent with such treatment.

(29) In the case of the Class E Junior Notes, the purchaser is not using and will not use to purchase or hold such Class E Junior Notes (or any interests therein), funds that are assets of (i) an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to the provisions of Part 4 of Subtitle B of Title I of ERISA, (ii) a "plan" that is subject to the prohibited transaction provisions of Section 4975 of the Code (the persons or entities described in clauses (i) and (ii) being referred to herein as "Benefit Plans"), (iii) any entity whose assets are treated as "plan assets" under ERISA by reason of such Benefit Plan's investment in the entity, unless the purchaser is the general account of an insurance company (or a wholly owned subsidiary of such general account) and its purchase and holding of a Class E Junior Note, or an interest therein, are eligible for exemptive relief under PTCE 95-60 or some other applicable

¹ Applicable to Class B Senior Notes, Class C Mezzanine Notes, Class D Mezzanine Notes and Class E Junior Notes only.

exemption and, (i) as of the date it acquires a Class E Junior Note, or any interest therein, less than 25% of the underlying assets of such general account constitute "plan assets" under Section 401(c) of ERISA and (ii) it agrees that if, after its initial acquisition of a Class E Junior Note, or any interest therein, at any time during any month, 25% or more of the underlying assets of such general account constitute "plan assets" within the meaning of Section 401(c) of ERISA, then such insurance company shall, in a manner consistent with the restrictions on transfer set forth herein, dispose of all of the Class E Junior Notes and any interest therein held in its general account (or by a wholly owned subsidiary of its general account) by the end of the next following month, or (iv) if it is a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law substantially similar to Title I of ERISA or Section 4975 of the Code, its purchase and holding of such Notes will not constitute or result in a non-exempt violation under any such substantially similar federal, state, local or non-U.S. law. The purchaser acknowledges that a purchase or proposed transfer will not be permitted, and the Trustee will not register any such purchase by or proposed transfer to a person that has represented that it is a Benefit Plan Investor other than such an aforementioned insurance company general account (or a wholly owned subsidiary of such a general account). The purchaser acknowledges that a purchase or proposed transfer of a Class E Junior Note or any interest therein will not be permitted, and the Trustee will not register any such purchase by or proposed transfer to a person that has represented that it is a Benefit Plan Investor or a Controlling Person other than such an aforementioned insurance company general account (or a wholly owned subsidiary of such a general account). If the purchaser of the Class E Junior Notes is a permitted Benefit Plan Investor, its investment in the Rule 144A Class E Junior Notes will not constitute a non-exempt prohibited transaction in violation of Section 406 of ERISA or Section 4975 of the Code (or, if the purchaser is, or is investing the assets of a governmental, church, or non-U.S. plan, its investment in the Class E Junior Notes will not result in a non-exempt violation of any Similar Law. The purchaser agrees that no interest in a Class E Junior Note may be transferred to any persons that are Benefit Plan Investors or Controlling Persons and that each transferee of an interest in a Class E Junior Note will be deemed to represent that such owner shall not transfer such interest except in compliance with the transfer restrictions set forth in the Indenture (including the requirement that no Class E Junior Note may be transferred to a Benefit Plan Investor or a Controlling Person except as set forth above with respect to an insurance company general account (or a wholly owned subsidiary of such a general account) and in the Indenture). The purchaser, and any fiduciary of the purchaser causing it to acquire the Class E Junior Notes, agrees to indemnify and hold harmless the Issuer, the Trustee, the Collateral Manager, the Administrator, the Placement Agent, the Collateral Administrator and their respective Affiliates from any cost, damage or loss incurred by them as a result of any of the representations being made by it pursuant to this paragraph being or becoming false. Any purported purchase or transfer of Class E Junior Notes by a purchaser or to a transferee that does not comply with the foregoing shall be null and void *ab initio* and will not operate to transfer any rights to the purchaser, notwithstanding any instructions to the contrary to the Issuer, the Trustee or any intermediary.

(30) The Applicable Securities will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES

ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (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 THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND 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, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN AN AUTHORIZED DENOMINATION FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, AND WHO IS ALSO A QUALIFIED PURCHASER (FOR PURPOSES OF THE 1940 ACT), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO BELOW, AND WHICH MAY IN EITHER CASE BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE 1940 ACT EXCEPTION, (2) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT (PROVIDED, THAT, IN THE CASE OF ANY TRANSFER OF THIS NOTE TO AN ACCREDITED INVESTOR, THE TRANSFEROR OR THE TRANSFEREE HAS PROVIDED AN OPINION OF COUNSEL TO THE TRUSTEE AND THE ISSUER THAT SUCH TRANSFER MAY BE MADE PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT) AND WHO IS ALSO A QUALIFIED PURCHASER (FOR PURPOSES OF THE 1940 ACT) OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF THIS NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING 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 ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT, UNDER THE INDENTURE, TO COMPEL ANY NON-PERMITTED HOLDER (AS DEFINED IN THE INDENTURE) TO SELL ITS INTEREST IN THE NOTES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.

THE PRINCIPAL AMOUNT OF THIS NOTE IS PAYABLE AND TRANSFERABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A CLASS E JUNIOR NOTE WILL BE DEEMED TO REPRESENT AND WARRANT AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN, THAT: (1) EITHER (A) IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A PLAN THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (III) ANY ENTITY WHOSE ASSETS ARE TREATED AS "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR A "BENEFIT PLAN INVESTOR" AS SUCH TERM IS OTHERWISE DEFINED IN ANY REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR UNDER SECTION 3(42) OF ERISA, (B) IT IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT (OR A WHOLLY OWNED SUBSIDIARY OF ITS GENERAL ACCOUNT) AND ITS PURCHASE AND HOLDING OF THIS NOTE, OR AN INTEREST THEREIN, ARE ELIGIBLE FOR EXEMPTIVE RELIEF UNDER PROHIBITED TRANSACTION CLASS EXEMPTION 95-60 OR SOME OTHER APPLICABLE EXEMPTION AND, (I) AS OF THE DATE IT ACQUIRES THIS NOTE, OR ANY INTEREST THEREIN, LESS THAN 25 PERCENT OF THE UNDERLYING ASSETS OF SUCH GENERAL ACCOUNT CONSTITUTE "PLAN ASSETS" (AS DEFINED IN SECTION 401(c) OF ERISA, (II) IT AGREES THAT IF, AFTER ITS INITIAL ACQUISITION OF THIS NOTE, OR ANY INTEREST THEREIN, AT ANY TIME DURING ANY MONTH 25 PERCENT OR MORE OF THE UNDERLYING ASSETS OF SUCH GENERAL ACCOUNT CONSTITUTE "PLAN ASSETS" AS SO DEFINED, THEN SUCH INSURANCE COMPANY SHALL, IN A MANNER CONSISTENT WITH THE RESTRICTIONS ON TRANSFER SET FORTH HEREIN, DISPOSE OF ALL OF THESE NOTES AND ANY INTEREST THEREIN, HELD IN ITS GENERAL ACCOUNT OR BY A WHOLLY OWNED SUBSIDIARY OF ITS GENERAL ACCOUNT BY THE END OF THE NEXT FOLLOWING MONTH, AND (III) IT IS NOT A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR ANY PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS OR AN AFFILIATE OF SUCH A PERSON OR (C) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT

CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION UNDER ANY SUCH SIMILAR LAW, AND WILL NOT SUBJECT THE ISSUER OR THE COLLATERAL MANAGER TO ANY LAWS, RULES, OR REGULATIONS APPLICABLE TO SUCH PLAN SOLELY AS A RESULT OF THE INVESTMENTS IN SUCH ISSUER BY SUCH A PLAN, AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN TO ANY PERSON WHO CANNOT SATISFY THESE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS.

THE PURCHASER, AND ANY FIDUCIARY OF THE PURCHASER CAUSING IT TO ACQUIRE AN INTEREST IN ANY CLASS E JUNIOR NOTES, AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE TRUSTEE, THE NOTE REGISTRAR, THE COLLATERAL MANAGER, THE ADMINISTRATOR, THE PLACEMENT AGENT AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS NOTE IN WHOLE, BUT NOT IN PART, SHALL BE LIMITED TO TRANSFERS TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE, AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO HEREIN.

(31) The Applicable Securities that are Physical Securities will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (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 THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND 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, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN AN AUTHORIZED DENOMINATION FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, AND WHO IS ALSO A QUALIFIED PURCHASER (FOR PURPOSES OF THE 1940 ACT), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO BELOW, AND WHICH MAY IN EITHER CASE BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE 1940 ACT EXCEPTION, (2) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT (PROVIDED, THAT, IN THE CASE OF ANY TRANSFER OF THIS NOTE TO AN ACCREDITED INVESTOR, THE TRANSFEROR OR THE TRANSFEREE HAS PROVIDED AN OPINION OF COUNSEL TO THE TRUSTEE AND THE ISSUER THAT SUCH TRANSFER MAY BE MADE PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT) AND WHO IS ALSO A QUALIFIED PURCHASER (FOR PURPOSES OF THE 1940 ACT) OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF THIS NOTE WILL BE REQUIRED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING 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 ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT, UNDER THE INDENTURE, TO COMPEL ANY NON-PERMITTED HOLDER (AS DEFINED IN THE INDENTURE) TO SELL ITS INTEREST IN THE NOTES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.

THE PRINCIPAL AMOUNT OF THIS NOTE IS PAYABLE AND TRANSFERABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A CLASS E JUNIOR NOTE WILL BE DEEMED TO REPRESENT AND WARRANT AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN, THAT: (1) EITHER (A) IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, ("ERISA")) THAT IS SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF PART OF SUBTITLE B OF TITLE I OF ERISA, (II) A PLAN THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (III) ANY ENTITY WHOSE ASSETS ARE TREATED AS "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR A "BENEFIT PLAN INVESTOR" AS SUCH TERM IS OTHERWISE DEFINED IN ANY REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR UNDER SECTION 3(42) OF ERISA, (B) IT IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT (OR A WHOLLY OWNED SUBSIDIARY OF ITS GENERAL ACCOUNT) AND ITS PURCHASE AND HOLDING OF THIS NOTE, OR AN INTEREST THEREIN, ARE ELIGIBLE FOR EXEMPTIVE RELIEF UNDER PROHIBITED TRANSACTION CLASS EXEMPTION 95-60 OR SOME OTHER APPLICABLE EXEMPTION AND, (I) AS OF THE DATE IT ACQUIRES THIS NOTE, OR ANY INTEREST THEREIN, LESS THAN 25 PERCENT OF THE UNDERLYING ASSETS OF SUCH GENERAL ACCOUNT CONSTITUTE "PLAN ASSETS" (AS DEFINED IN SECTION 401(C) OF ERISA, (II) IT AGREES THAT IF, AFTER ITS INITIAL ACQUISITION OF THIS NOTE, OR ANY INTEREST THEREIN, AT ANY TIME DURING ANY MONTH 25 PERCENT OR MORE OF THE UNDERLYING ASSETS OF SUCH GENERAL ACCOUNT CONSTITUTE "PLAN ASSETS" AS SO DEFINED, THEN SUCH INSURANCE COMPANY SHALL, IN A MANNER CONSISTENT WITH THE RESTRICTIONS ON TRANSFER SET FORTH HEREIN, DISPOSE OF ALL OF THESE NOTES AND ANY INTEREST THEREIN, HELD IN ITS GENERAL ACCOUNT OR BY A WHOLLY OWNED SUBSIDIARY OF ITS GENERAL ACCOUNT BY THE END OF THE NEXT FOLLOWING MONTH, AND (III) IT IS NOT A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR ANY PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS OR AN AFFILIATE OF SUCH A PERSON OR (C) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION UNDER ANY SUCH SIMILAR LAW, AND WILL NOT SUBJECT THE ISSUER OR THE COLLATERAL MANAGER TO ANY LAWS, RULES, OR REGULATIONS APPLICABLE TO SUCH PLAN SOLELY AS A RESULT OF THE INVESTMENTS IN SUCH ISSUER BY SUCH A PLAN, AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN TO ANY PERSON WHO CANNOT SATISFY

THESE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS.

THE PURCHASER, AND ANY FIDUCIARY OF THE PURCHASER CAUSING IT TO ACQUIRE AN INTEREST IN ANY CLASS E JUNIOR NOTES, AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE TRUSTEE, THE NOTE REGISTRAR, THE COLLATERAL MANAGER, THE ADMINISTRATOR, THE PLACEMENT AGENT AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

LISTING AND GENERAL INFORMATION

1. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market.

2. For so long as any of the Securities are listed on the Irish Stock Exchange, copies of the Memorandum and Articles of Association of the Issuer, the Offering Memorandum and the Indenture will be available for inspection in electronic form during the term of the Notes at the office of the Trustee and at the registered offices of the Issuer, where electronic copies thereof may be obtained upon request.

3. Since its organization, the Issuer has not commenced trading, prepared any financial statements or declared any dividends, except for the transactions described herein relating to the issuance of the Securities.

4. Since its organization, the Issuer has not been involved in any governmental, legal or arbitration proceedings which may have significant effects on the financial position of the Issuer, nor, so far as the Issuer is aware, are any such governmental, legal or arbitration proceedings involving either of them pending or threatened.

5. The issuance of the Securities will be authorized by the Board of Directors of the Issuer on or prior to the Closing Date.

6. Maples and Calder Listing Services Limited, as the Irish Listing Agent, is acting solely in its capacity as Listing Agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Irish Stock Exchange for the purposes of the Prospectus Directive.

7. The Issuer has been established as a special purpose vehicle for the purposes of issuing asset backed securities.

8. The Common Codes under which the Securities sold in offshore transactions in reliance on Regulation S under the Securities Act have been accepted for clearance through Clearstream and Euroclear, the CUSIP Numbers for each Class and represented by Regulation S Global Securities, the CUSIP Numbers for each Class represented by Rule 144A Global Rated Notes and the International Securities Identification Numbers (ISIN) in reliance on Regulation S under the Securities for each Class.

Rule 144A Global Rated Notes

	<u>CUSIP</u>	<u>ISIN</u>
Class A Senior Notes	871556 AA4	US871556AA42
Class B Senior Notes	871556 AC0	US871556AC08
Class C Mezzanine Notes	871556 AD8	US871556AD80
Class D Mezzanine Notes	871556 AE6	US871556AE63
Class E Junior Notes	871556 AF3	US871556AF39

Regulation S Global Securities

	<u>Common Code</u>	<u>CUSIP (CINS)</u>	<u>ISIN</u>
Class A Senior Notes	031272653	G86463 AA7	USG86463AA74
Class B Senior Notes	031273196	G86463 AC3	USG86463AC31
Class C Mezzanine Notes	031273340	G86463 AD1	USG86463AD14
Class D Mezzanine Notes	031273404	G86463 AE9	USG86463AE96
Class E Junior Notes	031273447	G86463 AF6	USG86463AF61
Subordinated Notes	031273536	G86463 AG4	USG86463AG45

Physical Securities

	<u>CUSIP</u>	<u>ISIN</u>
Class E Junior Notes	871556 AN6	US871556AN62
Subordinated Notes	871556 AP1	US871556AP11

LEGAL MATTERS

Certain legal matters with respect to the Securities will be passed upon for the Issuer by Schulte Roth & Zabel LLP, 919 Third Avenue, New York, NY 10022. Certain matters with respect to Cayman Islands corporate law and tax law will be passed upon for the Issuer by Maples and Calder, Cayman Islands. Certain legal matters with respect to the Collateral Manager will be passed upon for the Collateral Manager by White & Case LLP, 1155 Avenue of the Americas, New York, New York 10036.

GLOSSARY OF CERTAIN DEFINED TERMS

"ABS CDO": A CDO Security with respect to which the Applicable Percentage of the assets consist of asset-backed securities.

"Administrative Expense Payment Sequence": On each Payment Date, Administrative Expenses payable pursuant to the Priority of Payments and not previously paid will be applied (a) first, *pro rata* to the payment of amounts due to Citibank, N.A., as Trustee, and in any of its other capacities and the Collateral Administrator, (b) second, to the Rating Agencies, and (c) third, *pro rata* to the payment of all other Administrative Expenses as directed in writing by the Collateral Manager on behalf of the Issuer based on their respective amounts due.

"Administrative Expenses": Amounts (including indemnities) due or accrued with respect to any Payment Date to (i) the Trustee and the Collateral Administrator pursuant to the Indenture and the Collateral Administration Agreement; (ii) the Independent accountants, agents and counsel of the Issuer for fees and expenses, including amounts payable to the Collateral Manager pursuant to the Collateral Management Agreement or the Indenture (other than the Collateral Management Fees); (iii) all fees and expenses due to the Rating Agencies including (a) any fees and expenses in connection with any rating of the Securities (including the annual fee, amendment fees and any surveillance fees payable with respect to the monitoring of any rating), (b) any credit estimate fees (including the initial application for and annual review of credit estimates) and (c) any fees and expenses due or accrued in connection with any private rating of the Collateral Debt Securities not payable by the issuer thereof; (iv) the Administrator's fees and expenses pursuant to the Administration Agreement; (v) any Person (other than a Holder) in respect of any governmental fee, charge or tax; (vi) any Person in respect of any other fees, expenses or payments permitted under the Indenture and the documents delivered pursuant to or in connection with the Indenture and the Securities; (vii) any fees, costs or expenses in connection with any Securities Lending Agreement and (viii) any fees, costs or expenses in connection with the early termination of any Reinvestment Agreement.

"Affiliate" or "Affiliated": With respect to a Person, (i) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person or (ii) any other Person who is a director, Officer or employee (a) of such Person, (b) of any subsidiary or parent company of such Person or (c) of any Person described in clause (i) above. For the purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise; *provided* that, with respect to the Issuer, the definition of "Affiliate" shall not include the Administrator or any other entity for which the Administrator acts as share trustee or administrator.

"Aggregate Excess Funded Spread": As of any date of determination, the amount obtained by multiplying:

(a) LIBOR applicable to the Rated Notes during the Interest Accrual Period in which the date of determination occurs, by

(b) the amount (not less than zero) equal to (i) the Aggregate Principal Balance of the Collateral Debt Securities (excluding any Defaulted Security, any PIK Security and any Partial PIK Security to the extent of any non-cash interest and the unfunded portion of any Delayed Drawdown Debt Security, of any Revolving Collateral Debt Security or of any Synthetic Security) as of such date of determination minus (ii) the Target Par Amount.

"Aggregate Funded Spread": As of any date of determination, the sum of the products obtained by multiplying:

(i) (a) in the case of each Floating Rate Obligation (excluding any Defaulted Security, any PIK Security and any Partial PIK Security to the extent of any non-cash interest and the unfunded portion of any Delayed Drawdown Debt Security, of any Revolving Collateral Debt Security or of any Synthetic Security) that bears interest at a spread over a London interbank offered rate-based index, the stated interest rate spread on such Floating Rate Obligation above such index; and

(b) in the case of each Floating Rate Obligation (excluding any Defaulted Security, any PIK Security and any Partial PIK Security to the extent of any non-cash interest and the unfunded portion of any Delayed Drawdown Debt Security, of any Revolving Collateral Debt Security or of any Synthetic Security) that bears interest at a spread over an index other than a London interbank offered rate-based index, the excess of the sum of such spread and such index then in effect as of such date over LIBOR calculated with respect to the Notes then in effect as of such date; by

(ii) the Principal Balance of each such Collateral Debt Security that is not a Revolving Collateral Debt Security, a Delayed Drawdown Debt Security or a Synthetic Security, and the outstanding principal amount of each such Revolving Collateral Debt Security, Delayed Drawdown Debt Security or Synthetic Security, in each case as of such date.

"Aggregate Outstanding Amount": On any date of determination, when used with respect to any Class of Notes, the aggregate principal amount of such Outstanding Notes (including, in the case of the Mezzanine Notes and the Class E Junior Notes, any Deferred Interest previously added to the principal amount of such Notes that remains unpaid); *provided, however* that for purposes of calculation of the Overcollateralization Tests, the Interest Reinvestment Test and the Class A Overcollateralization Ratio, in the case of the Mezzanine Notes and the Class E Junior Notes, any Deferred Interest previously added to the principal amount of such Notes that remains unpaid shall be excluded from the Aggregate Outstanding Amount.

"Aggregate Principal Balance": On any date of determination, when used with respect to Collateral Debt Securities, the sum of the Principal Balances of all the Collateral Debt Securities.

"Aggregate Unfunded Amount": On any date of determination, with respect to the Delayed Drawdown Debt Securities and Revolving Collateral Debt Securities, the excess, if any, of (i) the aggregate amount of the commitments with respect to such securities over (ii) the aggregate funded principal amount outstanding on such securities.

"Aggregate Unfunded Commitment Amount": On any date of determination, the sum of (a) the Aggregate Unfunded Amount with respect to the Revolving Collateral Debt Securities and the Delayed Drawdown Debt Securities and (b) the aggregate unfunded amounts of all Synthetic Securities pledged to the Trustee at such time (which shall be determined after taking into account any Synthetic Security Collateral posted pursuant to the Indenture).

"Aggregate Unfunded Spread": As of any date of determination, the sum of (a) the products obtained by multiplying (i) for each Delayed Drawdown Debt Security and Revolving Collateral Debt Security (other than Defaulted Securities), the commitment fee then in effect as of such date and (ii) the undrawn commitments of each such Delayed Drawdown Debt Security and Revolving Collateral Debt Security as of such date, and (b) the products obtained by multiplying (i) for each Synthetic Security for which a portion of the Principal Balance is unfunded, the fixed rate or premium rate then in effect payable by the Synthetic Security Counterparty on such unfunded portion of the Principal Balance, multiplied by (ii) the unfunded portion of the Principal Balance of each such Synthetic Security.

"Applicable Advance Rate": For each Collateral Debt Security and for the applicable number of Business Days between the certification date for a sale and the expected date of such sale, the percentage specified below:

	1-2 days	3-5 days	6 days or more
Cash and Eligible Investments	100%	100%	100%
Senior Secured Loans with a Market Value:			
of 90% or more	93%	92%	88%
below 90%	80%	73%	60%
Other Collateral Debt Securities with a Moody's Rating of at least "B3" and a Market Value of 90% or more	89%	85%	75%
All other Collateral Debt Securities	75%	65%	45%

"Applicable Percentage": The greater of (i) 50% and (ii) such higher percentage as shall have been agreed in writing by a Majority of the Controlling Class.

"Balance": On any date, with respect to Eligible Investments in any account, the aggregate of the (i) current balance of Cash, demand deposits, time deposits, certificates of deposit and Federal funds; (ii) principal amount of interest-bearing corporate and government securities, money market accounts, repurchase obligations and Reinvestment Agreements; and (iii) purchase price (but not greater than the face amount) of non-interest-bearing government and corporate securities and commercial paper.

"Bond": A debt security (that is not a loan or a Structured Finance Obligation) that is issued by a corporation, limited liability company, partnership or trust.

"Business Day": Any day other than (i) Saturday or Sunday or (ii) a day on which commercial banks in New York, New York or the city in which the corporate trust office of the Trustee is located are authorized or required by applicable law, regulation or executive order to

close or, for final payment of principal, in the relevant place of presentation; *provided, however*, that if any action is required of the Irish Paying Agent, for purposes of determining when such Irish Paying Agent action is required, Dublin, Ireland will be considered in determining "Business Day."

"Cash": Such coin or currency of the United States of America as at the time shall be legal tender for payment of all public and private debts.

"CBO": A CDO Security with respect to which the Applicable Percentage of the assets consist of bonds.

"CCC Excess": The excess of (a) the greater of (i) the aggregate principal amount of all Collateral Debt Securities that have S&P Ratings of "CCC+" or lower (other than any Defaulted Securities and Discount Obligations) and (ii) the aggregate principal amount of all Collateral Debt Securities that have Moody's Default Probability Ratings of "Caa1" or lower (other than any Defaulted Securities and Discount Obligations) over (b) 7.5% of the Principal Collateral Value (as measured without giving effect to clause (f)(E) of the definition of Principal Balance).

"CDO of CDO Securities": A CDO Security with respect to which the Applicable Percentage of the assets consist of other CDO Securities.

"CDO Security": A U.S. Dollar-denominated collateralized bond obligation, collateralized debt obligation, collateralized loan obligation or a similar obligation.

"Class A Overcollateralization Ratio": As of any date of determination, the ratio (expressed as a percentage) obtained by dividing:

- (i) the Principal Collateral Value; by
- (ii) the Aggregate Outstanding Amount of the Class A Senior Notes.

"Class A S&P Minimum Weighted Average Recovery Rate": The recovery rate determined by reference to the appropriate column and row set forth in the definition of "S&P Minimum Weighted Average Recovery Rate."

"Class A S&P Minimum Weighted Average Recovery Rate Test": A test that is satisfied as of any date of determination if the S&P Average Recovery Rate with respect to the Class A Senior Notes is equal to or greater than the Class A S&P Minimum Weighted Average Recovery Rate.

"Class A/B Coverage Test": Each of the Class A/B Overcollateralization Test and, on and after the second Payment Date, the Class A/B Interest Coverage Test.

"Class A/B Interest Coverage Ratio": As of each Determination Date and any other date of determination, the ratio (expressed as a percentage) obtained by dividing:

- (a) (i) the aggregate amount of Interest Proceeds that have been received or are expected to be received (other than Interest Proceeds expected to be received from Defaulted

Securities and PIK Securities but including Interest Proceeds actually received from Defaulted Securities and PIK Securities), in each case during the Due Period in which such date of determination occurs minus (ii) the amounts payable on the related Payment Date under subclauses A. through D. of the Priority of Interest Payments; by

(b) the sum of the Interest Distribution Amount due and payable on the Senior Notes on such following Payment Date.

"Class A/B Interest Coverage Test": A test satisfied if, as of the second Determination Date and each subsequent Determination Date and any other subsequent date of determination, the Class A/B Interest Coverage Ratio is at least 120.00%.

"Class A/B Overcollateralization Ratio": As of each Determination Date and any other date of determination, the ratio (expressed as a percentage) obtained by dividing:

- (i) the Principal Collateral Value; by
- (ii) the Aggregate Outstanding Amount of the Senior Notes.

"Class A/B Overcollateralization Test": A test satisfied if, as of the Effective Date and as of each subsequent Determination Date and any other subsequent date of determination, the Class A/B Overcollateralization Ratio is at least 111.80%.

"Class B S&P Minimum Weighted Average Recovery Rate": The recovery rate determined by reference to the appropriate column and row set forth in the definition of "S&P Minimum Weighted Average Recovery Rate."

"Class B S&P Minimum Weighted Average Recovery Rate Test": A test that is satisfied as of any date of determination if the S&P Average Recovery Rate with respect to the Class B Senior Notes is equal to or greater than the Class B S&P Minimum Weighted Average Recovery Rate.

"Class Break-Even Default Rate": As of any date of determination and with respect to any Class of Rated Notes, the maximum percentage of defaults, at any time, that the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined by S&P, from time to time, through application of the S&P CDO Monitor, which, after giving effect to S&P's assumptions on recoveries, defaults and timing and to the Priority of Payments, will result in sufficient funds remaining for the payment of such Class of Rated Notes in full.

"Class C Coverage Test": Each of the Class C Overcollateralization Test and, on and after the second Payment Date, the Class C Interest Coverage Test.

"Class C Interest Coverage Ratio": As of any Determination Date or other date of determination, the ratio (expressed as a percentage) obtained by dividing:

(a) (i) the aggregate amount of Interest Proceeds that have been received or are expected to be received (other than Interest Proceeds expected to be received from Defaulted Securities and PIK Securities but including Interest Proceeds actually received from Defaulted

Securities and PIK Securities), in each case during the Due Period in which such date of determination occurs minus (ii) the amounts payable on the related Payment Date under subclauses A. through D. of the Priority of Interest Payments; by

(b) the Interest Distribution Amount and the Deferred Interest due and payable on the Senior Notes and the Class C Mezzanine Notes on such following Payment Date. (For the avoidance of doubt, Deferred Interest and the Interest Distribution Amount on the Class C Mezzanine Notes shall be considered due and payable for this purpose.)

"Class C Interest Coverage Test": A test satisfied if, as of the second Determination Date and each subsequent Determination Date and any other subsequent date of determination, the Class C Interest Coverage Ratio is at least 115.00%.

"Class C Mezzanine Deferred Interest": The Deferred Interest on the Class C Mezzanine Notes, if any.

"Class C Overcollateralization Ratio": As of any Determination Date or other date of determination, the ratio (expressed as a percentage) obtained by dividing:

- (i) the Principal Collateral Value; by
- (ii) the sum of the Aggregate Outstanding Amount of the Senior Notes and the Class C Mezzanine Notes.

"Class C Overcollateralization Test": A test satisfied if, as of the Effective Date and each subsequent Determination Date and any other subsequent date of determination, the Class C Overcollateralization Ratio is at least 106.80%.

"Class C S&P Minimum Weighted Average Recovery Rate": The recovery rate determined by reference to the appropriate column and row set forth in the definition of "S&P Minimum Weighted Average Recovery Rate."

"Class C S&P Minimum Weighted Average Recovery Rate Test": A test that is satisfied as of any date of determination if the S&P Average Recovery Rate with respect to the Class C Notes is equal to or greater than the Class C S&P Minimum Weighted Average Recovery Rate.

"Class D Coverage Test": Each of the Class D Overcollateralization Test and, on and after the second Payment Date, the Class D Interest Coverage Test.

"Class D Interest Coverage Ratio": As of each Determination Date and any other date of determination, the ratio (expressed as a percentage) obtained by dividing:

- (a) (i) the aggregate amount of Interest Proceeds that have been received or are expected to be received (other than Interest Proceeds expected to be received from Defaulted Securities and PIK Securities but including Interest Proceeds actually received from Defaulted Securities and PIK Securities), in each case during the Due Period in which such date of determination occurs minus (ii) the amounts payable on the related Payment Date under clauses A. through D. of the Priority of Interest Payments; by

(b) the Interest Distribution Amount and the Deferred Interest due and payable on the Rated Notes (other than the Class E Junior Notes) on such following Payment Date. (For the avoidance of doubt, Deferred Interest and the Interest Distribution Amount on the Mezzanine Notes shall be considered due and payable for this purpose.)

"Class D Interest Coverage Test": A test satisfied if, as of the second Determination Date and each subsequent Determination Date and any other subsequent date of determination, the Class D Interest Coverage Ratio is at least 110.00%.

"Class D Mezzanine Deferred Interest": The Deferred Interest on the Class D Mezzanine Notes, if any.

"Class D Overcollateralization Ratio": As of each Determination Date and any other date of determination, the ratio (expressed as a percentage) obtained by dividing:

- (i) the Principal Collateral Value; by
- (ii) the sum of the Aggregate Outstanding Amount of the Senior Notes and the Mezzanine Notes.

"Class D Overcollateralization Test": A test satisfied if, as of the Effective Date and each subsequent Determination Date and any other subsequent date of determination, the Class D Overcollateralization Ratio is at least 104.80%.

"Class D S&P Minimum Weighted Average Recovery Rate": The recovery rate determined by reference to the appropriate column and row set forth in the definition of "S&P Minimum Weighted Average Recovery Rate."

"Class D S&P Minimum Weighted Average Recovery Rate Test": A test that is satisfied as of any date of determination if the S&P Average Recovery Rate with respect to the Class D Notes is equal to or greater than the Class D S&P Minimum Weighted Average Recovery Rate.

"Class Default Differential": As of any date of determination and for any Class of Rated Notes, the rate calculated by subtracting the Class Scenario Default Rate for such Class of Rated Notes at such time from the Class Break-Even Default Rate for such Class of Rated Notes at such time.

"Class E Coverage Test": Each of the Class E Overcollateralization Test and, on and after the second Payment Date, the Class E Interest Coverage Test.

"Class E Interest Coverage Ratio": As of each Determination Date and any other date of determination, the ratio (expressed as a percentage) obtained by dividing:

- (a) (i) the aggregate amount of Interest Proceeds that have been received or are expected to be received (other than Interest Proceeds expected to be received from Defaulted Securities and PIK Securities but including Interest Proceeds actually received from Defaulted Securities and PIK Securities), in each case during the Due Period in which such date of

determination occurs minus (ii) the amounts payable on the related Payment Date under clauses A. through D. of the Priority of Interest Payments; by

(b) the Interest Distribution Amount and the Deferred Interest due and payable on the Rated Notes on such following Payment Date. (For the avoidance of doubt, Deferred Interest and the Interest Distribution Amount on the Mezzanine Notes and the Class E Junior Notes shall be considered due and payable for this purpose.)

"Class E Interest Coverage Test": A test satisfied if, as of the second Determination Date and each subsequent Determination Date and any other subsequent date of determination, the Class E Interest Coverage Ratio is at least 105.00%.

"Class E Junior Deferred Interest": The Deferred Interest on the Class E Junior Notes, if any.

"Class E Overcollateralization Ratio": As of any date of determination, the ratio (expressed as a percentage) obtained by dividing:

- (i) the Principal Collateral Value; by
- (ii) the sum of the Aggregate Outstanding Amount of the Rated Notes.

"Class E Overcollateralization Test": A test satisfied if, as of the Effective Date and each subsequent Determination Date and any other subsequent date of determination, the Class E Overcollateralization Ratio is at least 101.60%.

"Class E S&P Minimum Weighted Average Recovery Rate": The recovery rate determined by reference to the appropriate column and row set forth in the definition of "S&P Minimum Weighted Average Recovery Rate."

"Class E S&P Minimum Weighted Average Recovery Rate Test": A test that is satisfied as of any date of determination if the S&P Average Recovery Rate with respect to the Class E Junior Notes is equal to or greater than the Class E S&P Minimum Weighted Average Recovery Rate.

"Class Scenario Default Rate": As of any date of determination and for any Class of Rated Notes, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with the initial S&P Rating of such Class of Rated Notes, determined by application by the Issuer of the S&P CDO Monitor at such time.

"Clearstream": Clearstream Banking Luxembourg, S.A., a corporation organized under the laws of the Grand Duchy of Luxembourg.

"Closing Date": On or about August 14, 2007.

"Collateral Management Fee": Collectively, the Senior Collateral Management Fee, the Subordinated Collateral Management Fee, the Incentive Management Fee and, without duplication, the Cumulative Deferred Management Fee.

"Collateral Manager Securities": On any date of determination, all Securities beneficially owned by the Collateral Manager or any of its Affiliates or by an account or fund for which the Collateral Manager or any of its Affiliates acts as the investment adviser or with respect to which it or any of its Affiliates has voting authority.

"Collateral Quality Matrix": On and after the Effective Date, Table I below shall be used to determine the Moody's Matrix Weighted Average Rating Factor which will be used in the definition of Moody's Adjusted Maximum Weighted Average Rating Factor; *provided, however,* that if on the date of determination, any Collateral Debt Security has a scheduled maturity date later than the Stated Maturity of the Notes, Table II shall be used for this purpose. On any date of determination, the Moody's Matrix Weighted Average Rating Factor shall be the number in the applicable table below which corresponds to the Diversity Score and the Weighted Average Spread on such date. If the Diversity Score and/or the Weighted Average Spread falls between rows and/or columns, interpolation shall be taken between two adjacent rows and/or two adjacent columns, as applicable, on a straight-line basis, with the results being rounded to two decimal points, to determine the applicable Moody's Matrix Weighted Average Rating Factor; *provided that,* for purposes of this matrix, (i) if the Weighted Average Spread of the Collateral Debt Securities is above 3.50% or below 2.00%, the row corresponding to 3.50% or 2.00%, respectively, will be used and (ii) if the Diversity Score of the Collateral Debt Securities is above 90 or below 50, the column corresponding to 90 or 50, respectively, will be used.

Table I

	Diversity Score								
Weighted Average Spread	50	55	60	65	70	75	80	85	90
2.00%	2020	2070	2120	2135	2150	2155	2180	2190	2200
2.25%	2210	2265	2300	2345	2360	2380	2400	2435	2450
2.50%	2365	2420	2475	2495	2520	2535	2545	2590	2635
2.75%	2545	2595	2635	2660	2675	2680	2705	2725	2735
3.00%	2630	2680	2760	2805	2840	2850	2895	2910	2940
3.25%	2740	2800	2835	2890	2900	2950	2985	3000	3000
3.50%	2820	2885	2940	2985	3000	3000	3000	3000	3000
	Moody's Matrix Weighted Average Rating Factor								

Table II

Weighted Average Spread	Diversity Score								
	50	55	60	65	70	75	80	85	90
2.00%	1970	2020	2070	2085	2100	2105	2130	2140	2150
2.25%	2160	2215	2250	2295	2310	2330	2350	2385	2400
2.50%	2315	2370	2425	2445	2470	2485	2495	2540	2585
2.75%	2495	2545	2585	2610	2625	2630	2655	2675	2685
3.00%	2580	2630	2710	2755	2790	2800	2845	2860	2890
3.25%	2690	2750	2785	2840	2850	2900	2935	3000	3000
3.50%	2770	2835	2890	2935	2950	3000	3000	3000	3000
	Moody's Matrix Weighted Average Rating Factor								

"Commitment Date": With respect to any Collateral Debt Security, the earlier of (i) the date on which the Issuer acquires such Collateral Debt Security and (ii) the date on which the Issuer becomes obligated to acquire such Collateral Debt Security.

"Controlling Class": The Class A Senior Notes so long as any Class A Senior Notes are Outstanding, then the Class B Senior Notes, so long as any Class B Senior Notes are outstanding, then the Class C Mezzanine Notes, so long as any Class C Mezzanine Notes are outstanding, then the Class D Mezzanine Notes, so long as any Class D Mezzanine Notes are Outstanding, then the Class E Junior Notes, so long as any Class E Junior Notes are Outstanding, and then the Subordinated Notes.

"Counterparty Criteria": With respect to any (i) Participation Interest or (ii) Securities Lending Agreement, a criterion that will be met if immediately after giving effect to such acquisition in the case of (i), or giving effect to such loan in the case of (ii), the percentage of the total Principal Collateral Value that consists in the aggregate of (A) Participation Interests with Selling Institutions that have the same or a lower credit rating and (B) Securities Lending Agreements with Securities Lending Counterparties that have the same or lower credit rating, does not exceed the "Aggregate Percentage Limit" or "Individual Percentage Limit" set forth below for such credit rating:

<u>Credit Rating of Selling Institution or Securities Lending Counterparty (at or below)</u>		<u>Aggregate Percentage Limit</u>	<u>Individual Percentage Limit</u>
<u>Moody's</u>	<u>S&P</u>		
Aaa	AAA	20.0%	20.0%
Aa1	AA+	10.0%	10.0%
Aa2	AA	10.0%	10.0%
Aa3	AA-	10.0%	10.0%
A1*	A+	5.0%	5.0%
A2*	A	5.0%	5.0%

* If the applicable Moody's short-term unsecured debt rating is below "P-1" or is on any ratings watch list with negative implications, then such Moody's rating for calculating the Counterparty Criteria will be below "A2".

"Coupon Excess": As of any date of determination, the percentage (if positive) obtained by *multiplying*

(i) the excess, if any, of the Weighted Average Coupon over 8.5% by

(ii) the number obtained by *dividing* (a) the Aggregate Principal Balance of all fixed rate Collateral Debt Securities (excluding any Defaulted Security, any PIK Security, any Partial PIK Security to the extent of any non-cash interest and the unfunded portion of any Delayed Drawdown Debt Security, any Revolving Collateral Debt Security and any Unfunded Synthetic Security) by (b) the Aggregate Principal Balance of the funded portions of all Floating Rate Obligations (excluding any Defaulted Security, any PIK Security, any Partial PIK Security to the extent of any non-cash interest and the unfunded portion of any Delayed Drawdown Debt Security, any Revolving Collateral Debt Security and any Unfunded Synthetic Security).

"Coverage Test": Each of the Class A/B Coverage Tests, the Class C Coverage Tests, the Class D Coverage Tests and the Class E Coverage Tests.

"Cov-Lite Loan": A loan that (i) does not contain any financial covenants or (ii) requires the borrower to comply with an Incurrence Covenant, but no Maintenance Covenant.

"Credit Estimate Information Requirements": The requirements set forth in a Schedule to the Indenture, as the same may be amended from time to time upon the receipt by the Issuer of written notice from S&P.

"Credit Event": With respect to a Credit-Linked Obligation, as defined in the documentation evidencing such Credit-Linked Obligation.

"Credit Improved Criteria": The criteria that will be met if (i) with respect to Collateral Debt Securities other than Senior Secured Loans, the change in price of such Collateral Debt Security during the period from the date on which it was acquired by the Issuer to the date of determination by a percentage either is more positive, or less negative as the case may be, than the percentage change in the Merrill Lynch High Yield Index, Bloomberg ticker JOAO, Average Price Option plus 2.50 percentage points, over the same period, (ii) with respect to Senior Secured Loans, the change in price of such Collateral Debt Security during the period from the date on which it was acquired by the Issuer to the date of determination by a percentage either is

more positive, or less negative, as the case may be, than the percentage change in the average price of an Eligible Loan Index plus 0.50 percentage points over the same period, (iii) with respect to a loan, the interest rate (in the case of a fixed rate loan) or spread (in the case of a floating rate loan) on such loan shall have decreased 0.250% or more since the date of its purchase due to a change in the underlying obligor's credit quality (whether such change was pursuant to a credit quality grid within the loan documentation for such loan or otherwise) or (iv) with respect to a bond, the implied yield spread thereof shall have decreased 2.50% or more relative to any one of the relevant indices (as calculated by the Collateral Manager in its reasonable judgment) since the date of purchase.

"Credit Improved Security": Any Collateral Debt Security that, in the Collateral Manager's reasonable business judgment, as certified to the Trustee, has significantly improved in credit quality after it was acquired by the Issuer, which improvement may (but need not) be evidenced by one of the following since its acquisition date: (i) such Collateral Debt Security satisfies the Credit Improved Criteria, (ii) such Collateral Debt Security has been upgraded at least one rating subcategory or has been placed and remains on credit watch with positive implication by either Rating Agency, (iii) the obligor of such Collateral Debt Security has raised equity capital or other capital subordinated to the Collateral Debt Security or (iv) the obligor of such Collateral Debt Security has, in the Collateral Manager's reasonable business judgment, shown improved results or possesses less credit risk, in each case since such Collateral Debt Security was acquired by the Issuer; *provided, however*, that on a day on which the Restricted Trading Condition is applicable, a Collateral Debt Security will qualify as a Credit Improved Security only if, in addition to the foregoing, since it was acquired by the Issuer, one or more of the following conditions are satisfied: (A) its issuer, obligor or other rating has been upgraded by any Rating Agency at least one rating subcategory or has been placed and remains on credit watch for possible upgrade by any Rating Agency or (B) the Credit Improved Criteria are satisfied with respect to such Collateral Debt Security.

"Credit-Linked Obligation": A Synthetic Security that is one or more swap transactions, securities or instruments that, taken together, provide for:

- (i) periodic cash payments from the Synthetic Security Counterparty to the Issuer calculated at a stated rate or spread on an amount stated therein,
- (ii) early termination, redemption or maturity thereof upon the occurrence of a Credit Event,
- (iii) upon such early termination, redemption or maturity as a result of a Credit Event,
 - (A) a final cash settlement payment (or release of Collateral) by the Issuer to the Synthetic Security Counterparty or by the Synthetic Security Counterparty to the Issuer in a stated amount calculated by reference to the change in the market value thereof or the market value or a stated reference price of the related Reference Obligation at the time of termination, redemption or maturity, and/or

(B) physical delivery by the Synthetic Security Counterparty to the Issuer of one or more Deliverable Obligations, and

(iv) if no Credit Event has occurred, there may be a final Cash settlement payment or return of collateral, as applicable, by the Synthetic Security Counterparty to the Issuer (or, in the case of clause (B) below, by the Issuer to the Synthetic Security Counterparty, if applicable) in a stated amount equal to:

(A) an initial payment or initial posting of collateral, as applicable, if any, made by the Issuer to the Synthetic Security Counterparty at the time of purchase thereof or other stated amount if there is no early termination, or

(B) a termination amount or redemption payment determined in accordance with a specified methodology if an early termination, redemption or maturity occurs for any reason other than as a result of a Credit Event.

"Credit Risk Criteria": The criteria that will be met if (i) with respect to Collateral Debt Securities other than Senior Secured Loans, the change in price of such Collateral Debt Security during the period from the date on which it was acquired by the Issuer to the date of determination by a percentage either is more negative, or less positive, as the case may be, than the percentage change in the Merrill Lynch High Yield Index, Bloomberg ticker JOAO, Average Price Option less 2.50 percentage points, over the same period or (ii) with respect to Senior Secured Loans, the change in price of such Collateral Debt Security during the period from the date on which it was acquired by the Issuer to the date of determination by a percentage either is more negative, or less positive, as the case may be, than the percentage change in the average price of an Eligible Loan Index less 0.50 percentage points over the same period, (iii) with respect to Structured Finance Obligations, the issuer thereof has failed any of its coverage tests or is paying interest payments "in kind", (iv) with respect to a loan, the interest rate (in the case of a fixed rate loan) or spread (in the case of a floating rate loan) on such loan shall have increased 0.250% or more since the date of its purchase due to a change in the underlying obligor's credit quality (whether such change was pursuant to a credit quality grid within the loan documentation for such loan or otherwise) or (v) with respect to a bond, the implied yield spread thereof shall have increased 2.50% or more relative to any one of the relevant indices (as calculated by the Collateral Manager in its reasonable judgment) since the date of purchase.

"Credit Risk Security": Any Collateral Debt Security that, in the Collateral Manager's reasonable business judgment as certified to the Trustee, has a significant risk of declining in credit quality or price related to the credit risk of the Collateral Debt Security or, with the lapse of time, becoming a Defaulted Security; *provided, however*, that on a day on which the Restricted Trading Condition is applicable, a Collateral Debt Security will qualify as a Credit Risk Security only if, in addition to the foregoing, since its acquisition date, one or more of the following conditions are satisfied: (i) its issuer, obligor or other rating has been downgraded at least one rating subcategory by any Rating Agency or has been placed and remains on credit watch for possible downgrade by any Rating Agency or (ii) the Credit Risk Criteria are satisfied with respect to such Collateral Debt Security.

"Current Pay Obligation": A Collateral Debt Security that would, but for the second proviso thereof, otherwise satisfy clause (b) of the definition of "Defaulted Security," but as to which (a) the most recent interest and principal payments due were paid in Cash, the Collateral Manager has certified on behalf of the Issuer to the Trustee that it expects that subsequent scheduled interest and principal payments will be paid in Cash when due and principal will be paid at maturity and to its actual knowledge no default has occurred and is continuing with respect to payment of interest, (b) the rating from Moody's of such Collateral Debt Security is at least "Caa2" (*provided* that if such rating is "Caa2," such rating must not be on watch for possible downgrade by Moody's), (c) if the principal obligor of such Collateral Debt Security is subject to a bankruptcy, insolvency, receivership or similar proceeding, (A) the relevant court has authorized the payment of interest due and payable on such Collateral Debt Security and (B) any payments authorized for payment by such court that have become due have been made and (d) the Market Value of such Collateral Debt Security is at least 80% of its outstanding principal amount (it being agreed that such Market Value shall have been determined without regard to clause (iii) of the definition thereof). The Aggregate Principal Balance of all Collateral Debt Securities which may be treated as "Current Pay Obligations" may not at any time exceed 5.0% of the Aggregate Principal Balance, and any Collateral Debt Security that would otherwise be classified as a Current Pay Obligation but which exceeds such limitation shall be treated as a Defaulted Security.

"Current Portfolio": At any date of determination, the portfolio of Collateral Debt Securities and Eligible Investments then held by the Issuer.

"Deemed Moody's Confirmation": Delivery by the Issuer (or the Collateral Manager on its behalf) of a certificate of the Collateral Manager showing that the Issuer has purchased or has entered into commitments to purchase Collateral Debt Securities having a Principal Collateral Value on or prior to the Effective Date equal to or exceeding the Target Par Amount and an Accountants' Letter pursuant to the Indenture showing compliance with the Collateral Quality Tests (other than the S&P Minimum Weighted Average Recovery Rate Test, the S&P CDO Monitor Test and the S&P Minimum Weighted Average Spread Test), the Overcollateralization Tests and the Portfolio Profile Test.

"Default": Any Event of Default or any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Defaulted Interest": Any interest due and payable in respect of any Senior Notes or, if no Senior Notes are Outstanding, in respect of any Class C Mezzanine Notes or, if no Senior Notes or Class C Mezzanine Notes are Outstanding, in respect of any Class D Mezzanine Notes or, if no Senior Notes, Class C Mezzanine Notes or Class D Mezzanine Notes are Outstanding, in respect of any Class E Junior Notes or any interest on such Defaulted Interest which is not punctually paid or duly provided for on the applicable Payment Date or at the Stated Maturity of the applicable Note.

"Defaulted Loaned Collateral Debt Security": Any Collateral Debt Security which is subject to a Securities Lending Agreement, under which Securities Lending Agreement an event of default (as such term is defined by the applicable Securities Lending Agreement) has occurred and is continuing.

"Defaulted Security": Any Collateral Debt Security or any other obligation included in the Collateral (including a Deliverable Obligation delivered upon the early termination of a Synthetic Security) for which:

(a) the obligor thereof has defaulted in the payment of principal and/or interest for five Business Days (without regard to any waiver or grace period provided in the related Underlying Instrument), but only until such default has been cured; *provided, however*, that such cure period shall only be available if the Collateral Manager has certified on behalf of the Issuer to the Trustee in writing that, to the actual knowledge of the Collateral Manager, such default resulted from non-credit related causes; *provided, further*, that a Collateral Debt Security shall not constitute a Defaulted Security under this clause (a) if it is a Partial PIK Security or PIK Security that in each case is current in the payment of principal and the payment of the portion of interest that is not being deferred or capitalized;

(b) any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the obligor of such Collateral Debt Security and is unstayed and undismissed; *provided, however*, that, if such proceeding is an involuntary proceeding, the condition of this clause (b) will not be satisfied until the earliest of the following: (A) the related obligor consents to such proceeding, (B) an order for relief under Bankruptcy Law, or any substantially similar order under a proceeding not taking place under the Bankruptcy Code, has been entered and (C) such proceeding remains unstayed and undismissed for 60 days; *provided, further*, that a Current Pay Obligation or DIP Collateral Debt Security shall not constitute a Defaulted Security under this clause (b) notwithstanding such bankruptcy, insolvency or receivership proceeding;

(c) the Collateral Manager has actual knowledge (determined pursuant to the Indenture) that there exists an event of default under such Collateral Debt Security because the obligor thereof is in default (without giving effect to any applicable grace period or waiver) as to payment of principal and/or interest on another obligation of such obligor (and such default has not been cured), and at least one of the following conditions is met: (A) both such other obligation and the Collateral Debt Security are full recourse unsecured obligations and the other obligation is senior to or *pari passu* with the Collateral Debt Security in right of payment or (B) both of the following conditions (1) and (2) are satisfied: (1) the security interest securing the other obligation is senior to or *pari passu* with the security interest securing the Collateral Debt Security, if any, and (2) the other obligation is senior to or *pari passu* with the Collateral Debt Security in right of payment; *provided, however*, that a Collateral Debt Security shall not constitute a Defaulted Security under this clause (c) if it is a Current Pay Obligation or DIP Collateral Debt Security unless the other obligation in default as described above in this clause (c) became defaulted after the date on which such Current Pay Obligation or DIP Collateral Debt Security was acquired, or, if later, the date on which it first satisfied the definition of Current Pay Obligation or DIP Collateral Debt Security, as applicable;

(d) the obligor of such Collateral Debt Security (other than a Structured Finance Obligation) (i) has an S&P Rating of "D" or "SD," (ii) had since the date acquired by the Issuer an S&P Rating of "D" or "SD" that was withdrawn or (iii) has any obligation that is senior or *pari passu* in right of payment to such Collateral Debt Security that has an S&P Rating of "D" or "SD";

(e) such Collateral Debt Security is a Synthetic Security and (i) in the case of a Credit-Linked Obligation or any other Synthetic Security that has a single Reference Obligation, the underlying Reference Obligation would constitute a "Defaulted Security" under any of the clauses of this definition if it were owned directly (rather than synthetically) by the Issuer (and determined treating the obligor or issuer of such Reference Obligation as the obligor or issuer of such Collateral Debt Security); or (ii) such Synthetic Security itself constitutes a "Defaulted Security" under any of the clauses of this definition (determined treating the related Synthetic Security Counterparty as the obligor or issuer of such Collateral Debt Security) (a "**Defaulted Synthetic Security**");

(f) such Collateral Debt Security is a Synthetic Security (other than a Defaulted Synthetic Security) with respect to which the Synthetic Security Counterparty has defaulted in the performance of any of its payment obligations under the Synthetic Security;

(g) such Collateral Debt Security is a Participation Interest in a loan or other debt security that would, if such loan or other debt security were a Collateral Debt Security, constitute a Defaulted Security (a "**Defaulted Participation Security**");

(h) such Collateral Debt Security is a Participation Interest in a loan or other debt security (other than a Defaulted Participation Security) with respect to which the Selling Institution has defaulted in the performance of any of its payment obligations under the related participation agreement;

(i) there has been effected any distressed exchange or other distressed debt restructuring where the obligor of such Collateral Debt Security has offered the holder or holders of such Collateral Debt Security a new security or package of securities that, in the good faith judgment of the Collateral Manager, amounts to a diminished financial obligation;

(j) if, in Collateral Manager's good faith and commercially reasonable business judgment, (i) the credit quality of the obligor of such Collateral Debt Security (or, in the case of a Synthetic Security, the credit quality of the Reference Obligor with respect thereto) has significantly deteriorated after the Commitment Date such that there is a reasonable expectation of payment default as of the next scheduled payment date with respect to such Collateral Debt Security, (ii) the terms of such Collateral Debt Security were amended after the Commitment Date while such Collateral Debt Security was in default and such amendments resulted in a materially diminished value of such Collateral Debt Security or (iii) collateral received after the Commitment Date in exchange for collateral securing a Collateral Debt Security that has been restructured has materially diminished in value as compared to the value of the collateral surrendered in the restructuring; or

(k) the obligor of such Collateral Debt Security, if it is a Structured Finance Obligation (x)(i) has an S&P Rating of "CC" or lower, (ii) had an S&P Rating of "CC" or lower that was withdrawn or (iii) has any obligation that is senior or *pari passu* in right of payment to such Collateral Debt Security that has an S&P Rating of "CC" or (y) has a Moody's Rating of "Ca" or "C".

"Delayed Drawdown Debt Security": That portion of a Collateral Debt Security that (i) requires the Issuer to make one or more future advances to the obligor under the Underlying Instruments relating thereto, (ii) specifies a maximum amount that can be borrowed on one or more fixed borrowing dates, and (iii) does not permit the re-borrowing of any amount previously repaid by the obligor thereof; *provided, however*, that any such Collateral Debt Security will be a Delayed Drawdown Debt Security only until all commitments by the Issuer to make advances to the obligor thereof expire or are terminated or permanently reduced to zero.

"Deliverable Obligation": A debt obligation or other security that is delivered to the Issuer upon the occurrence of certain Credit Events under a Synthetic Security that satisfies the definition of "Collateral Debt Security" at the time it is delivered to the Issuer, except that such debt obligation or other security may be a Defaulted Security at the time delivered to the Issuer; *provided* that with respect to any Credit-Linked Obligation, such security may, if specified therein, (a) consist of a class of securities or indebtedness of a specific seniority or a specific issuance of outstanding securities and/or (b) be subject to replacement with other obligations of the issuer of such security upon specified conditions. An obligation that is delivered to the Issuer under a Synthetic Security that does not satisfy the definition of "Collateral Debt Security" will be treated as a Defaulted Security.

"Determination Date": The last day of each Due Period.

"DIP Collateral Debt Security": Any interest in a loan or financing facility having an explicit rating or rating estimate by S&P or for which a rating estimate has been requested from S&P and that is explicitly rated by Moody's (including any estimated rating by Moody's) that is purchased directly or by way of assignment which is (i) an obligation of (A) a debtor in possession as described in §1107 of the Bankruptcy Code or (B) a trustee (if appointment of such trustee has been ordered pursuant to §1104 of the Bankruptcy Code (in either such case, a **"Debtor"**) organized under the laws of the United States or any state therein and (ii) the terms of which have been approved by an order of the United States Bankruptcy Court, the United States District Court, or any other court of competent jurisdiction, the enforceability of which order is not subject to any pending contested matter or proceeding (as such terms are defined in the Federal Rules of Bankruptcy Procedure) and which order provides that: (i) such DIP Collateral Debt Security is fully secured by liens on the Debtor's otherwise unencumbered assets pursuant to §364(c)(2) of the Bankruptcy Code or (ii) such DIP Collateral Debt Security is fully secured by liens of equal or senior priority on property of the Debtor's estate that is otherwise subject to a lien pursuant to §364(d) of the Bankruptcy Code. Notwithstanding the foregoing, such a loan will not be deemed to be a DIP Collateral Debt Security following the emergence of the related debtor-in-possession from bankruptcy protection under Chapter 11 of the Bankruptcy Code.

"Discount-Adjusted Spread": With respect to all Purchased Discount Obligations (excluding any Defaulted Security, any PIK Security and any Partial PIK Security to the extent of any non-cash interest and the unfunded portion of any Delayed Drawdown Debt Security, Revolving Collateral Debt Security or Synthetic Security) is the lesser of (a) the sum of the numbers obtained by dividing the spread (determined in accordance with the definition of "Aggregate Funded Spread") of each Purchased Discount Obligation by the Purchase Price (expressed as a percentage of such Purchased Discount Obligation) and multiplying the resulting number by the Principal Balance of such Purchased Discount Obligation and (b) the Aggregate

Funded Spread of such Purchased Discount Obligations plus 0.50% multiplied by the Principal Balance of all Purchased Discount Obligations.

"Discount Obligation": Any Collateral Debt Security which (a) in the case of loans (i) if such Collateral Debt Security had at the time of purchase a Moody's Rating of at least "B3," has been purchased at a price which is less than 80% of its outstanding principal amount or (ii) if such Collateral Debt Security had at the time of purchase a Moody's Rating lower than "B3," has been purchased at a price which is less than 85% of its outstanding principal amount and (b) in the case of other debt securities (i) if such Collateral Debt Security had at the time of purchase a Moody's Rating of at least "B3," has been purchased at a price which is less than 75% of its outstanding principal amount or (ii) if such Collateral Debt Security had at the time of purchase a Moody's Rating lower than "B3," has been purchased at a price which is less than 80% of its outstanding principal amount; *provided* that, if the Market Value of any Collateral Debt Security that was classified as a Discount Obligation at the time of its purchase (x) in the case of loans, equals or exceeds 90% of such loan's outstanding principal amount, for any 22 consecutive Business Days after its purchase by the Issuer, or (y) in the case of other debt securities, equals or exceeds 85% of such debt security's outstanding principal amount, for any 22 consecutive Business Days after its purchase by the Issuer, such Collateral Debt Security will no longer be considered a Discount Obligation.

"Diversity Score": A single number that indicates collateral concentration in terms of both obligor and industry concentration, calculated as set forth in the Indenture or such other schedule provided to the Issuer, the Trustee, the Collateral Administrator and the Collateral Manager for which Rating Agency Confirmation has been obtained from Moody's. For the purposes of the calculation of the Diversity Score, obligors that are Affiliates with one another will be considered one obligor; *provided, however*, that an Affiliate of an obligor that is in a different industry from such obligor will be treated as a separate obligor from such obligor if Rating Agency Confirmation has been obtained from Moody's. If Moody's modifies its industrial classification groups, the Collateral Manager may elect to have any or all of the Collateral Debt Securities reallocated among such modified industrial classification groups for purposes of determining the Industry Diversity Score (as set forth in the Indenture) and the Diversity Score so long as (i) the Collateral Manager has provided written notice of such election to Moody's, the Trustee and the Collateral Administrator and (ii) Rating Agency Confirmation has been obtained from Moody's.

"Dollar" or "U.S.\$": A dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be legal tender for all debts, public and private.

"Domicile": With respect to any Collateral Debt Security obligor, either (a) if it is organized in Antilles, Bermuda, the Cayman Islands, the British Virgin Islands or the Netherlands, the country in which a majority of its assets are located, directly or through subsidiaries, as determined by the Collateral Manager or (b) otherwise, its country of incorporation or organization.

"DTC": The Depository Trust Company, its nominees, and their respective successors.

"Due Period": With respect to any Payment Date, the period commencing immediately following the eighth Business Day prior to the preceding Payment Date (or, on the Closing Date, in the case of the Due Period relating to the first Payment Date) and ending on the eighth Business Day prior to such Payment Date (or, in the case of a Due Period that is applicable to the Payment Date relating to the Stated Maturity of any Note, or the Maturity of all Outstanding Notes, ending on the day preceding such Payment Date).

"Eligible Country": Any of the United States, Canada or a European Country (so long as such non-United States country has a Moody's foreign currency rating of at least "Aa2") or any other country that has a Moody's foreign currency rating of at least "Aa2" and an S&P foreign issuer credit rating of at least "AA" or that is a Tax Jurisdiction.

"Eligible Investment": Any U.S. Dollar-denominated investment that, at the time it is delivered to the Trustee (directly or through a securities intermediary or bailee), is one or more of the following obligations or securities:

(a) 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 of America or any agency or instrumentality of the United States of America, the obligations of which are expressly backed by the full faith and credit of the United States of America;

(b) demand and time deposits in, certificates of deposit or trust accounts with bankers' acceptances issued by, or Federal funds sold by any depository institution or trust company incorporated under the laws of the United States of America or any state thereof (including Citibank, N.A. or the commercial department of any successor Trustee, as the case may be; *provided, however*, that such Person otherwise meets the criteria specified herein) 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 the Eligible Investment Required Ratings; *provided, however*, that any investment in commercial paper or bankers' acceptances will not have a maturity in excess of 183 days;

(c) unleveraged repurchase or forward obligations with respect to (A) any security described in clause (a) above or (B) any other Registered security issued or guaranteed by an agency or instrumentality of the United States of America, in either case entered into with a depository institution or trust company (acting as principal) described in clause (b) above (including Citibank, N.A. or the commercial department of any successor Trustee, as the case may be; *provided, however*, that such Person otherwise meets the criteria specified herein) or entered into with an entity (acting as principal) with, or whose parent company has the Eligible Investment Required Ratings; *provided, further*, that no such repurchase obligation will extend for a term in excess of 183 days;

(d) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States of America or any state thereof that

have a credit rating of not less than "Aaa" by Moody's and "AA" by S&P at the time of such investment or contractual commitment providing for such investment;

(e) commercial paper or other short-term obligations (including that of Citibank, N.A. or the commercial department of any successor Trustee, as the case may be, or any Affiliate thereof; *provided, however*, that such Person otherwise meets the criteria specified herein) with the Eligible Investment Required Ratings and that either are bearing interest or are sold at a discount from the face amount thereof and have a maturity of not more than 183 days from their date of issuance;

(f) a Reinvestment Agreement issued by any bank, including Citibank, N.A., or a Reinvestment Agreement or guaranteed investment issued by any insurance company or other corporation or entity, in each case with the Eligible Investment Required Ratings;

(g) non-United States money market funds the investments of which are limited to any investments described in clauses (a), (b), (d) and (e), which funds have, at all times, a credit rating of at least "Aaa" or "MR1+" (and not on credit watch with negative implications) from Moody's and at least "AAAm" from S&P; and

(h) Cash;

which, in each case matures or is putable at par to the obligor thereof (or in the case of clause (f), has a withdrawal date at the option of the Issuer) (in each case after giving effect to any applicable grace period) no later than the Business Day prior to the next Payment Date, unless such Eligible Investments are issued by the Trustee in its capacity as a banking institution, in which event such Eligible Investments may mature on such Payment Date; *provided, however*, that (i) Eligible Investments on deposit in the Expense Reserve Account and the Revolver Funding Account will be invested in overnight funds that are Eligible Investments; (ii) Eligible Investments purchased with funds in the Collection Account will be held until maturity except as otherwise specifically provided herein; (iii) Eligible Investments must be purchased at a price equal to or less than par; and (iv) none of the foregoing obligations or securities will constitute Eligible Investments if: (A) such obligation or security has a "p," "pi," "q," "r" or "t" subscript assigned to any rating by S&P, (B) all, or substantially all, of the remaining amounts payable thereunder consist of interest and not principal payments, (C) such obligation or security is subject to U.S. withholding tax, (D) such obligation or security is subject to any withholding tax at any time through its maturity unless the obligor of the obligation or security is required to make "gross-up" payments that cover the full amount of such withholding tax on an after-tax basis pursuant to the Underlying Instrument with respect thereto, (E) such obligation or security is a mortgage-backed security or is secured by real property or is an interest only security, (F) at the time of purchase, such obligation or security is subject to an Offer, (G) its repayment is subject to substantial non-credit related risk as determined by the Collateral Manager, or (H) such obligation or security (i) would constitute Margin Stock, (ii) could be subject to a mandatory or optional conversion to equity or (iii) is the subject of an Offer.

Any investment, which otherwise qualifies as an Eligible Investment, may (1) be made by the Trustee with or through Citibank, N.A. or any of its Affiliates and (2) be made in

securities of any entity for which Citibank, N.A. or any of its Affiliates serves as offeror, distributor, advisor or other service provider.

"Eligible Investment Required Ratings": Short-term credit ratings of "P-1" from Moody's and "A-1" from S&P or, in the case of any Eligible Investment with a maturity of longer than 91 days, long-term credit ratings of at least "Aa2" from Moody's and "AA" from S&P; *provided* that any Eligible Investment with a short-term credit rating of "A-1" shall have a remaining maturity (at the time of purchase by the Issuer) of not longer than 60 days.

"Eligible Loan Index": With respect to each Collateral Debt Security that is a Senior Secured Loan, one of the following indices as selected by the Collateral Manager in writing delivered to the Trustee upon acquisition of such Collateral Debt Security: CS Leveraged Loan Index, the Deutsche Bank Leveraged Loan Index, the Goldman Sachs/Loan Pricing Corporation Liquid Leveraged Loan Index, the Banc of America Securities Leveraged Loan Index, the S&P/LSTA Leveraged Loan Indices or any other loan index for which Rating Agency Confirmation has been obtained.

"Eligible Principal Investments": Eligible Investments purchased with Principal Proceeds (including amounts designated as Principal Proceeds pursuant to the Priority of Payments).

"Equity Security": (i) Any equity security or other security that is not eligible for purchase by the Issuer as a Collateral Debt Security or (ii) any security purchased as part of a "unit" with a Collateral Debt Security and that itself is not eligible for purchase by the Issuer as a Collateral Debt Security.

"Euroclear": Euroclear Bank S.A./N.V. as the operator of the Euroclear system and any successor or successors thereto.

"European Country": Any Group I European Country, Group II European Country, Group III European Country or Group IV European Country.

"Excess Interest": With respect to any Payment Date, the balance of Interest Proceeds available for distribution after the payment of all amounts required to be paid pursuant to subclauses A. through Q. of the Priority of Interest Payments.

"Exchange Act": The United States Securities Exchange Act of 1934, as amended.

"Existing Class": A Class of Notes issued on the Closing Date.

"Fee Basis Amount": With respect to any Payment Date, the sum of (i) the Aggregate Principal Balance of the Collateral Debt Securities and (ii) the Balance of the Eligible Investments representing Principal Proceeds, in each case, as of the first day of the related Due Period.

"Finance Leases": Any transaction in which the obligations of a lessee to pay rent or other amounts under a lease are on a triple net basis and are required to be classified and accounted for as a capital lease on the balance sheet of such lessee under U.S. generally accepted

accounting principles; *provided* that (a) such lease provides for the unconditional obligation of the lessee to pay a stated amount of principal (together with interest thereon) no later than a stated maturity date; (b) the obligations of the lessee in respect of such lease are fully secured, directly or indirectly, by the property that is the subject of such lease; (c) the interest held in respect of such lease is treated as debt for tax purposes; (d) the lease has an S&P Recovery Rate and a Moody's Recovery Rate equal to such Rating Agency's recovery rate for senior secured obligations; and (e) the lease has a facility rating from Moody's.

"Floating Rate Notes": The Class A Senior Notes, the Class B Senior Notes, the Class C Mezzanine Notes, the Class D Mezzanine Notes and the Class E Junior Notes.

"Floating Rate Obligation": Any Collateral Debt Security that bears interest based on a floating rate index.

"Form-Approved Synthetic Security": A Synthetic Security structured as a credit default swap (a) that has a single Reference Obligor or a Reference Obligation that satisfies the definition of Collateral Debt Security; (b) the documentation of which conforms (except for the amount and timing of periodic payments, the presence or absence and the amount of any upfront payment, the names of the Reference Obligor and the Reference Obligation, the notional amount, the effective date, the termination date and other similarly necessary changes) to a form with respect to which Rating Agency Confirmation and the consent of a Majority of the Controlling Class was obtained by the Issuer prior to the entry into or purchase of such Synthetic Security or the form specifically approved by the Rating Agencies and with the consent of a Majority of the Controlling Class for use in this transaction with respect to Senior Secured Loans; (c) which, in the case of a Funded Synthetic Security, permits termination without payment of a termination payment by the Issuer upon an event of default resulting from "Failure to Pay or Deliver" or "Bankruptcy" (or from any other "Event of Default" specified in the Synthetic Security for which the Synthetic Security may only be terminated without loss to the Issuer) in which the Synthetic Security Counterparty is the defaulting party and in the case of an Unfunded Synthetic Security, requires that any Subordinated Synthetic Security Termination Payment determined to be payable to the Synthetic Security Counterparty that is the defaulting party or sole affected party be subordinated pursuant to the Priority of Payments (*provided*, that termination without loss by the Issuer or with subordinated payment of termination amounts, as the case may be, may be specified with respect to additional termination events or events of default as will be permitted or required by the Rating Agencies in a Form-Approved Synthetic Security); (d) for which each Deliverable Obligation thereunder will be Dollar-denominated, the payments with respect to which are not by its terms payable or convertible by the related obligor thereof into any currency other than Dollars; and (e) with respect to which the Collateral Manager, acting on behalf of the Issuer, has certified in a notice delivered to the Trustee prior to the entry into or purchase thereof, that the Synthetic Security is a Form-Approved Synthetic Security or with respect to which Rating Agency Confirmation was obtained prior to such entry or purchase; *provided*, that any material amendment or modification to the form of a Form-Approved Synthetic Security will be subject to Rating Agency Confirmation; *provided, further*, that either Rating Agency may revoke its approval with respect to the future use of a Form-Approved Synthetic Security upon 30 days' notice to the Issuer or the Collateral Manager on behalf of the Issuer (which will deliver a copy of such notice to the Trustee and the Collateral Administrator); and *provided, further*, that any revocation will not affect the continuing effectiveness or eligibility of any Synthetic Security

entered into on documentation that constituted a Form-Approved Synthetic Security at the time the Issuer entered into such Synthetic Security or the determination of the Moody's Recovery Rate, S&P Recovery Rate, Moody's Rating and S&P Rating of such Synthetic Security.

"Funded Synthetic Security": A Synthetic Security that does not require the Issuer to make any payment to the Synthetic Security Counterparty after the initial purchase or entry into thereof by the Issuer other than the payments to a Synthetic Security Counterparty of any Synthetic Security Collateral pledged in accordance with the terms of the related Synthetic Security.

"Global Securities": The Regulation S Global Securities and the Rule 144A Global Rated Notes.

"Group I European Country": The United Kingdom, Australia and the Netherlands.

"Group II European Countries": Germany, Ireland, Sweden and Switzerland.

"Group III European Countries": Austria, Belgium, Denmark, Finland, France, Iceland, Liechtenstein, Luxembourg, Norway and Spain.

"Group IV European Countries": Italy, Portugal and Greece.

"Hedge Counterparty": The Issuer's counterparty under a Hedge Agreement.

"Hedge Payment Amount": At any date of determination, and with respect to the Hedge Agreements and any Payment Date, the amount, if any, of any payments (other than termination payments including Subordinated Hedge Termination Payments) then payable by the Issuer to the Hedge Counterparties.

"Holder" or "Securityholder": At any date of determination, and with respect to any Security the Person in whose name such Security is registered in the Security Register.

"Incurrence Covenant": A covenant by the borrower to comply with one or more financial covenants only upon the occurrence of certain actions of the borrower including, but not limited to, a debt issuance, dividend payment, share purchase, merger, acquisition or divestiture.

"Independent": As to any Person, any other Person (including, in the case of an accountant or lawyer, a firm of accountants or lawyers or any investment bank and any member thereof) who (i) does not have and is not committed to acquire any material direct or any material indirect financial interest (excluding receivables for services rendered) in such Person or in any Affiliate of such Person, and (ii) is not connected with such Person as an Officer, employee, promoter, underwriter, voting trustee, partner, director or Person performing similar functions. "Independent" when used with respect to any accountant may include an accountant who audits the books of such Person if in addition to satisfying the criteria set forth above the accountant is independent with respect to such Person within the meaning of Rule 101 of the Code of Ethics of the American Institute of Certified Public Accountants.

"Index Maturity": With respect to the first Payment Date, 5.1 months and with respect to each Payment Date thereafter, three months.

"Interest Distribution Amount": With respect to any Class or Classes of Rated Notes on any Payment Date, (i) the aggregate amount of interest accrued, at the applicable Interest Rate, during the related Interest Accrual Period on the Aggregate Outstanding Amount of the applicable Rated Notes on the first day of such Interest Accrual Period (after giving effect to any redemption of such Rated Notes on any preceding Payment Date) and (ii) any Defaulted Interest with respect to such Class of Rated Notes.

"Interest Proceeds": With respect to any Payment Date, the sum of the following amounts:

(a) any and all of the following received during the related Due Period (and not used to purchase accrued interest in connection with the purchase of a Collateral Debt Security):

(i) all Cash payments of interest (including capitalized interest and amounts that are the economic equivalent of interest, but excluding (A) any Warehouse Accrued Interest, (B) capitalized interest on Partial PIK Securities until paid in Cash, (C) any scheduled interest payments on any Written Down Obligation (until the Issuer has received interest, fees and/or commissions in respect of such obligation in an amount equal to the related Written Down Amount) and (D) any interest accrued but unpaid prior to the Closing Date on Pledged Securities, which interest was purchased by the Issuer with Principal Proceeds or Unused Proceeds) or dividends on the Collateral Debt Securities and Eligible Investments (other than Credit-Linked Obligations and excluding all amounts required to be deposited in a Synthetic LC Reserve Account until such amounts are released from such account), including in the Collateral Manager's judgment (determined as of the trade date), accrued interest (other than Principal Financed Accrued Interest, Warehouse Accrued Interest and any accrued interest received by the Issuer upon the sale of a Zero Coupon Security) received in connection with a sale of Collateral Debt Securities and Eligible Investments (to the extent such accrued interest was not applied to the purchase of Collateral Debt Securities);

(ii) all amendment and waiver fees (unless otherwise designated as Principal Proceeds by the Collateral Manager in writing to the Trustee), all late payment fees, all commitment fees, all indemnity payments and all other fees and commissions received during such Due Period in connection with the Collateral Debt Securities and Eligible Investments (other than fees and commissions received in connection with the purchase, sale, restructuring or default of Collateral Debt Securities and Eligible Investments);

(iii) all payments pursuant to any Hedge Agreements scheduled to be received on or prior to such Payment Date (other than payments in connection with termination (including reduction of the notional amount) of a Hedge Agreement);

(iv) all periodic payments received pursuant to Credit-Linked Obligations during such Due Period (other than payments in respect of termination, maturity or redemption);

(v) amounts on deposit in the Reserve Account that are designated as Interest Proceeds on or prior to the third Payment Date pursuant to the Indenture;

(vi) all payments of principal on Eligible Investments purchased with Interest Proceeds;

(vii) on or after the first anniversary of the Effective Date, the aggregate Principal Gains, if any, that have been designated by the Collateral Manager as Interest Proceeds on a Determination Date; *provided* that as of such Determination Date and after giving effect to such designation (w) each of the Coverage Tests, the Moody's Maximum Weighted Average Rating Factor Test and the S&P CDO Monitor Test is satisfied, (x) the Class D Overcollateralization Ratio is equal to or greater than the ratio on the Effective Date, (y) the Restricted Trading Condition is not applicable and (z) the CCC Excess is equal to zero; and

(viii) if the Issuer receives any payment from a Securities Lending Counterparty that relates to a Collateral Debt Security that has been loaned to such Securities Lending Counterparty pursuant to a related Securities Lending Agreement, the portion of such payment that would have constituted Interest Proceeds had such payment been paid from the issuer of such Collateral Debt Security to the Issuer shall constitute Interest Proceeds, and prior to a default under the related Securities Lending Agreement, any payment received by the Issuer under the related Securities Lending Collateral shall not constitute Interest Proceeds and such amounts shall be deposited in the Securities Lending Account;

provided, however, that amounts received with respect to any Defaulted Security shall not be treated as Interest Proceeds until the sum of (1) such amounts received and (2) any other recoveries of principal on such Defaulted Security exceeds its par amount; and

(b) any Current Deferred Management Fee deferred on such Payment Date (except to the extent designated as Principal Proceeds by the Collateral Manager).

"Interest Reinvestment Test": A test satisfied on any Determination Date if the Class E Overcollateralization Ratio is equal to at least 102.60% as of such date.

"Interim Target": The criteria set forth in the table below, as the same may be modified with Rating Agency approval (which modification shall not constitute a supplemental indenture requiring any of the procedures set forth in the Indenture), for the Interim Target Date.

<u>Criteria</u>	<u>Target October 17, 2007</u>
Aggregate Principal Balance:	U.S.\$325,000,000
Diversity Score	50
Moody's Weighted Average Recovery Rate	44.5
Weighted Average Coupon	8.5%
Weighted Average Spread	2.25%
Moody's Weighted Average Rating Factor	2450

"Interim Target Date": October 17, 2007.

"Internal Rate of Return": For purposes of the Incentive Management Fee, means, with respect to each Payment Date, the rate of return that would result in a net present value of zero, assuming (i) an aggregate purchase price of U.S.\$31,000,000 for the Subordinated Notes (without giving effect to any Subordinated Notes issued after the Closing Date) as the initial negative cash flow on the Closing Date and all distributions on the Subordinated Notes issued on the Closing Date on such and each prior Payment Date as positive cash flows, (ii) the initial date for calculation as the Closing Date, and (iii) the number of days to each Payment Date from the Closing Date calculated on the basis actual days elapsed and year with 360 days.

"Investment Advisers Act": The Investment Advisers Act of 1940, as amended.

"Investment Company Act": The Investment Company Act of 1940, as amended.

"Key Manager Event": Any time both Gunther Stein (or any Replacement Principal therefor) and Lenny Mason (or any Replacement Principal therefor) cease to be actively engaged in the daily activities of the Collateral Manager under the Management Agreement and in its CDO management business generally on a substantially full time basis for a period of more than 90 consecutive calendar days.

"LC Commitment Amount": With respect to any Synthetic Letter of Credit, the amount which the Issuer could be required to pay to the Agent Bank in respect thereof (including, for the avoidance of doubt, any portion thereof which the Issuer has collateralized or deposited into a trust or with the Agent Bank for the purpose of making such payments).

"LIBOR": The London interbank offered rate, as determined by the Calculation Agent in accordance with the following provisions (in each case rounded to the nearest 0.00001%):

(1) On the second LIBOR Business Day (as defined below) prior to the commencement of an Interest Accrual Period (each such day, a "**LIBOR Determination Date**"),

LIBOR for any given Note shall equal the rate, as obtained by the Calculation Agent, for Eurodollar deposits having a maturity of the Index Maturity that appears on Reuters Screen LIBOR01 Page as reported by Bloomberg Financial Markets Commodities News, or such other page as may replace such Reuters Screen LIBOR01 Page, as of 11:00 a.m. (London time) on such LIBOR Determination Date; *provided*, that if a rate for the applicable Index Maturity does not appear thereon, it shall be determined by the Calculation Agent by using Linear Interpolation (as defined in the International Swaps and Derivatives Association, Inc. 2000 ISDA Definitions and substituting the term "Index Maturity" for the term "Designated Maturity" in such definition).

(2) If, on any LIBOR Determination Date, such rate does not appear on Reuters Screen LIBOR01 Page as reported by Bloomberg Financial Markets Commodities News or such other page as may replace such Reuters Screen LIBOR01 Page, the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks (as defined below) to leading banks in the London interbank market for Eurodollar deposits of the Index Maturity in an amount determined by the Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the 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 of such quotations. If, on any LIBOR Determination Date, only one or none of the Reference Banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in the City of New York selected by the Calculation Agent (after consultation with the Collateral Manager) are quoting on the relevant LIBOR Determination Date for Eurodollar deposits of the Index Maturity in an amount determined by the Calculation Agent by reference to the principal London offices of leading banks in the London interbank market; *provided, however*, that if the Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, LIBOR shall be LIBOR as determined on the previous LIBOR Determination Date.

(3) As used herein: "**Reference Banks**" means four major banks in the London interbank market selected by the Calculation Agent; and "**LIBOR Business Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and New York.

(4) With respect to any Collateral Debt Security, LIBOR shall be the London interbank offered rate determined in accordance with the related Underlying Instrument.

"LIBOR Business Day" : The meaning set forth in the definition of "LIBOR".

"Maintenance Covenant": A covenant by the borrower to comply with one or more financial covenants during each reporting period, whether or not it has taken any specified action.

"Majority": With respect to any Class or Classes, the Holders of more than 50% of the Aggregate Outstanding Amount of the Securities of such Class or Classes, as the case may be. With respect to the Securities collectively, the Holders of more than 50% of the Aggregate Outstanding Amount of any Outstanding Notes.

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

"Market Value": On any date of determination, for any Collateral Debt Security (and in all cases as shall be certified in writing on behalf of the Issuer by the Collateral Manager to the Trustee and the Collateral Administrator), (i) the value determined using a price from a Qualified Pricing Service selected by the Collateral Manager; or (ii) if Qualified Pricing Service is not available or, if the bid price determined by such service is deemed by the Collateral Manager in its good faith and commercially reasonable business judgment to be unreliable, then (1) the average of the bid side prices determined by three independent broker-dealers selected by the Collateral Manager who are active in the trading of such securities, (2) if only two such bid prices are available, the lower of such two bid prices, or (3) so long as the Collateral Manager is a registered adviser under the United States Investment Advisers Act of 1940, as amended, if two such bid prices are not available, the bid price for such Collateral Debt Security obtained by the Collateral Manager from a nationally recognized dealer that is independent of the Collateral Manager and any of its affiliates (provided that (x) such bid price must be for an amount of Collateral Debt Securities equal to the amount of Collateral Debt Securities to be sold or valued and (y) the Collateral Manager uses such bid price as the market value for that amount of the Collateral Debt Security for all other purposes, whether with respect to the Issuer or otherwise) or (iii) if no price is available pursuant to clause (i) above and no such bid price is available pursuant to clause (ii) above, the lesser of (x) the price determined by reference to the Principal Balance thereof multiplied by the greater of (A) 70% of the aggregate outstanding amount of such Collateral Debt Security and (B) the S&P Recovery Rate of such Collateral Debt Security and the Class of Rated Notes that is then the Controlling Class and (y) (1) so long as the Collateral Manager is a registered adviser under the United States Investment Advisers Act of 1940, as amended, the value of such Collateral Debt Security determined by the Collateral Manager using its commercially reasonable business judgment (provided that the Collateral Manager uses such value as the market value for that Collateral Debt Security for all other purposes, whether with respect to the Issuer or otherwise) or (2) if the Collateral Manager is not a registered adviser under the United States Investment Advisers Act of 1940, as amended, (A) for a period not to exceed 30 days, the value of such Collateral Debt Security determined by the Collateral Manager using its commercially reasonable business judgment (provided that the Collateral Manager uses such value as the market value of that Collateral Debt Security for all other purposes, whether with respect to the Issuer or otherwise) and (B) after 30 days, zero.

"Maturity": With respect to any Security, the date on which the outstanding principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Memorandum and Articles of Association": The Memorandum and Articles of Association of the Issuer as they may be amended and restated from time to time.

"Mezzanine Notes": The Class C Mezzanine Notes and the Class D Mezzanine Notes.

"Modifier Variable": For purposes of the Moody's Weighted Average Spread Test and the Rating Factor Modifier, the Modifier Variable will be the single value, selected by the

Collateral Manager (with prior notification to the Trustee and the Collateral Administrator) from the options in the definition of Moody's Weighted Average Spread Test.

"Moody's": Moody's Investors Service.

"Moody's Adjusted Maximum Weighted Average Rating Factor": As of any date of determination, an amount equal to the lesser of (i) the Moody's Matrix Weighted Average Rating Factor corresponding to the Diversity Score and the Weighted Average Spread as of such date in accordance with the Collateral Quality Matrix plus the Rating Factor Modifier and (ii) 3000.

"Moody's Default Probability Rating": With respect to any Collateral Debt Security as of any date of determination, the rating determined in the following manner:

(i) With respect to a Collateral Debt Security that is a Senior Secured Loan or Participation Interest in a Senior Secured Loan, if the obligor of such Collateral Debt Security has a corporate family rating by Moody's, then such corporate family rating.

(ii) With respect to a Collateral Debt Security that is a Senior Secured Loan or Participation Interest in a Senior Secured Loan, if not determined pursuant to clause (i) above, if such Collateral Debt Security (A) is publicly rated by Moody's, such public rating, or (B) is not publicly rated by Moody's but for which a rating or rating estimate has been assigned by Moody's upon the request of the Issuer or the Collateral Manager, such rating or the corporate family rating estimate, as applicable.

(iii) With respect to a Collateral Debt Security other than a Synthetic Security or a Structured Finance Obligation, if not determined pursuant to clause (i) or (ii) above, (A) if the obligor of such Collateral Debt Security has one or more senior unsecured obligations publicly rated by Moody's, then the Moody's public rating on any such obligation as selected by the Collateral Manager or, if no such rating is available, (B) if such Collateral Debt Security is publicly rated by Moody's, such public rating or, if no such rating is available, (C) if a rating or rating estimate has been assigned to such Collateral Debt Security by Moody's upon the request of the Issuer or the Collateral Manager, such rating or, in the case of a rating estimate, the applicable rating estimate for such obligation.

(iv) With respect to a Collateral Debt Security other than a Synthetic Security, if not determined pursuant to clause (i), (ii) or (iii) above, the Moody's Derived Rating.

(v) With respect to a Synthetic Security, as determined as set forth in the definition thereof.

(vi) With respect to a Structured Finance Obligation with a Moody's rating of "Aaa" that is on any "credit watch" list with negative implications by Moody's shall be deemed to have a rating one sub category below the actual rating of such Structured Finance Obligation. Any Structured Finance Obligation with a Moody's rating lower than "Aaa" that is on any "credit watch" list with positive or negative implications by Moody's shall be deemed to have a rating two sub categories above or below, as the case may be, the actual rating of such Structured Finance Obligation.

For purposes of calculating a Moody's Default Probability Rating for anything other than Structured Finance Obligations, each applicable rating on credit watch by Moody's with positive or negative implication at the time of calculation will be treated as having been upgraded or downgraded by one rating subcategory, as the case may be.

"Moody's Derived Rating": With respect to a Collateral Debt Security whose Moody's Rating or Moody's Default Probability Rating cannot otherwise be determined pursuant to the definitions thereof, such Moody's Rating or Moody's Default Probability Rating shall be determined as set forth below:

(i) If the obligor of such Collateral Debt Security has a long-term issuer rating by Moody's, then such long-term issuer rating.

(ii) If not determined pursuant to clause (i) above, if another obligation of the obligor is rated by Moody's, then by adjusting the rating of the related Moody's rated obligations of the related obligor by the number of rating sub-categories according to the table below:

<u>Obligation Category of Rated Obligation</u>	<u>Rating of Rated Obligation</u>	<u>Number of Subcategories Relative to Rated Obligation Rating</u>
Senior secured obligation	greater than or equal to B2	-1
Senior secured obligation	less than B2	-2
Subordinated obligation	greater than or equal to B3	+1
Subordinated obligation	less than B3	0

(iii) If not determined pursuant to clause (i) or (ii) above, if the obligor of such Collateral Debt Security has a corporate family rating by Moody's, then one subcategory below such corporate family rating.

(iv) If not determined pursuant to clause (i), (ii) or (iii) above, then by using any one of the methods provided below:

(A) (1)

<u>Type of Collateral Debt Security</u>	<u>S&P Rating</u>	<u>Collateral Debt Security Rated by S&P</u>	<u>Number of Subcategories Relative to Moody's Equivalent of S&P Rating</u>
Not CDO Security	≥BBB-	Not a Loan or Participation Interest in Loan	-1
Not CDO Security	≤BB+	Not a Loan or Participation Interest in Loan	-2
Not CDO Security		Loan or Participation Interest in Loan	-2

(2) if such Collateral Debt Security is not rated by S&P but another security or obligation of the obligor is rated by S&P (a "parallel security"), then the rating of such parallel security will at the election of the Collateral Manager be

determined in accordance with the table set forth in subclause (A)(1) above, and the Moody's Rating or Moody's Default Probability Rating of such Collateral Debt Security will be determined in accordance with the methodology set forth in clause (i) above (for such purposes treating the parallel security as if it were rated by Moody's at the rating determined pursuant to this subclause (A)(2)); or

(3) if such Collateral Debt Security is a DIP Collateral Debt Security, no Moody's Rating or Moody's Default Probability Rating may be determined based on a rating by S&P or any other rating agency;

(B) if such Collateral Debt Security is not rated by Moody's or S&P and no other security or obligation of the issuer of such Collateral Debt Security is rated by Moody's or S&P, and if Moody's has been requested by the Issuer or the Collateral Manager to assign a rating or rating estimate with respect to such Collateral Debt Security but such rating or rating estimate has not been received, pending receipt of such estimate, (1) "B3" if the Collateral Manager certifies to the Trustee and the Collateral Administrator that the Collateral Manager believes that such estimate will be at least "B3" and if the Aggregate Principal Balance of Collateral Debt Securities determined pursuant to this clause (B) does not exceed 5% of the Aggregate Principal Balance of all Collateral Debt Securities or (2) otherwise, "Caa1";

(C) if the obligor of such Collateral Debt Security is a U.S. obligor and if such Collateral Debt Security is a senior secured obligation of the obligor and (1) neither the obligor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings, (2) no debt securities or obligations of the obligor are in default, (3) neither the obligor nor any of its Affiliates have defaulted on any debt during the past two years, (4) the obligor has been in existence for the past five years, (5) the obligor is current on any cumulative dividends, (6) the fixed-charge ratio for the obligor exceeds 125% for each of the past two fiscal years and for the most recent quarter, (7) the obligor had a net profit before tax in the past fiscal year and the most recent quarter and (8) the annual financial statements of the obligor are unqualified and certified by a firm of Independent accountants of national reputation, and quarterly statements are unaudited but signed by a corporate officer, "Caa1";

(D) if the obligor of such Collateral Debt Security is a U.S. obligor and if such Collateral Debt Security is a senior secured or senior unsecured obligation of the obligor and (1) neither the obligor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings and (2) no debt security or obligation of the obligor has been in default during the past two years, "Caa3";

(E) if a debt security or obligation of the obligor has been in default during the past two years, "Ca"; or

(F) with respect to any DIP Collateral Debt Security, one subcategory below the facility rating (whether public or private) of such DIP Collateral Debt Security rated by Moody's.

For purposes of calculating a Moody's Derived Rating, each applicable rating on credit watch by Moody's with positive or negative implication at the time of calculation will be treated as having been upgraded or downgraded by one rating subcategory, as the case may be.

"Moody's Diversity Test": A test satisfied if, as of the Effective Date and any subsequent date of determination, the Diversity Score at least equals 50.

"Moody's Matrix Weighted Average Rating Factor": The meaning given to such term in the definition of "Collateral Quality Matrix."

"Moody's Maximum Weighted Average Rating Factor Test": A test that is satisfied as of the Effective Date and any subsequent date of determination if the Moody's Weighted Average Rating Factor as of such date is equal to or less than the Moody's Adjusted Maximum Weighted Average Rating Factor as of such date.

"Moody's Minimum Weighted Average Recovery Rate Test": A test that is satisfied as of the Effective Date and any subsequent date of determination if the Moody's Weighted Average Recovery Rate at least equals 44.5% as of such date.

"Moody's Rating": With respect to any Collateral Debt Security as of any date of determination, the rating determined in the following manner:

(i) With respect to a Collateral Debt Security (including a Synthetic Security) that (A) is publicly rated by Moody's, such public rating, or (B) is not publicly rated by Moody's but for which a rating or rating estimate has been assigned by Moody's upon the request of the Issuer or the Collateral Manager, such rating or, in the case of a rating estimate, the applicable rating estimate for such obligation.

(ii) With respect to a Collateral Debt Security that is a Senior Secured Loan or Participation Interest in a Senior Secured Loan, if not determined pursuant to clause (i) above, if the obligor of such Collateral Debt Security has a corporate family rating by Moody's, then such corporate family rating.

(iii) With respect to a Collateral Debt Security other than a Synthetic Security, if not determined pursuant to clause (i) or (ii) above, if the obligor of such Collateral Debt Security has one or more senior unsecured obligations publicly rated by Moody's, then the Moody's public rating on any such obligation as selected by the Collateral Manager.

(iv) With respect to a Collateral Debt Security other than a Synthetic Security, if not determined pursuant to clause (i), (ii) or (iii) above, the Moody's Derived Rating.

(v) With respect to a Synthetic Security, as determined as set forth in the definition thereof.

(vi) For purposes of calculating a Moody's Rating, any Collateral Debt Security that is on any "credit watch" list with positive or negative implications by Moody's shall be deemed to have a rating one sub category above or below, as the case may be, the actual rating of such Collateral Debt Security.

"Moody's Rating Factor": For each Collateral Debt Security, a number set forth to the right of the applicable Moody's Default Probability Rating below:

<u>Moody's Default Probability Rating</u>	<u>Moody's Rating Factor</u>	<u>Moody's Default Probability Rating</u>	<u>Moody's Rating Factor</u>
Aaa	1	Ba1	940
Aa1	10	Ba2	1,350
Aa2	20	Ba3	1,766
Aa3	40	B1	2,220
A1	70	B2	2,720
A2	120	B3	3,490
A3	180	Caa1	4,770
Baa1	260	Caa2	6,500
Baa2	360	Caa3	8,070
Baa3	610	Ca, not rated or withdrawn	10,000

For purposes of calculating the Moody's Maximum Weighted Average Rating Factor Test, (i) each Defaulted Security will be excluded, (ii) if a Collateral Debt Security is not rated by Moody's and no other security or obligation of the obligor is rated by Moody's, and the Issuer or the Collateral Manager has requested a rating or rating estimate from Moody's, then until such rating or rating estimate is received, the Moody's Rating Factor of such security will be deemed to be the Moody's Rating Factor corresponding to such security's rating as determined pursuant to the definition of Moody's Default Probability Rating and (iii) a Synthetic Security, will be deemed to have either (A) the Moody's Rating Factor assigned by Moody's or (B) the rating assigned in connection with the acquisition thereof by the Issuer upon the request of the Issuer or the Collateral Manager; *provided*, that the rating assigned to a Form-Approved Synthetic Security will be the Moody's Default Probability Rating of the Reference Obligation unless either (i) the Collateral Manager, acting on behalf of the Issuer, requests that Moody's assign a rating thereto in connection with the acquisition thereof or (ii) pursuant to the definition of "Form-Approved Synthetic Security" Moody's assigns a rating to such Form-Approved Synthetic Security. The Moody's Rating Factor for each Collateral Debt Security that is a Structured Finance Obligation shall be equal to (a) the number set forth in the table above opposite the Moody's Rating of such Structured Finance Obligation multiplied by 0.55 and divided by (b) 1 minus the Moody's Recovery Rate. With respect to any Collateral Debt Security with a short-term rating of "P-1", such Collateral Debt Security will be assigned a Moody's Rating Factor equivalent to that of the senior unsecured rating of the obligor. Short-term securities rated "P-1" of an obligor that does not have such a senior unsecured rating will be assigned a Moody's Rating Factor of 120.

"Moody's Recovery Amount": With respect to any Collateral Debt Security, the amount equal to the product of (i) the applicable Moody's Recovery Rate and (ii) the Principal Balance of such Collateral Debt Security.

"**Moody's Recovery Rate**": With respect to any Collateral Debt Security, the recovery rate specified in Table I below corresponding to such type of Collateral Debt Security:

Table I
Moody's Recovery Rates

<u>Type of Collateral Debt Security</u>	<u>Recovery Rate</u>
Senior Secured Loans	The recovery rate determined by reference to Table II below
Non-Senior Secured Loans	The recovery rate determined by reference to Table III below
Debt securities	The recovery rate determined by reference to Table IV below
CDO Securities	As determined by Moody's on a case by case basis
Synthetic Securities	As determined by Moody's on a case by case basis; <i>provided</i> that the recovery rate applicable to a Form-Approved Synthetic Security will be the recovery rate applicable to the Reference Obligation if the Reference Obligation is a Senior Secured Loan unless either (i) the Collateral Manager, acting on behalf of the Issuer, requests that a recovery rate be assigned by Moody's to such Form-Approved Synthetic Security or (ii) the definition of "Form-Approved Synthetic Security" required Moody's to assign a recovery rate to such Form-Approved Synthetic Security.
DIP Collateral Debt Securities	50%
Structured Finance Obligations	The recovery rate determined by reference to Table V below

Table II
Moody's Recovery Rates for Senior Secured Loans

<u>Number of rating sub-categories by which the Moody's Rating is above or below the Moody's Default Probability Rating</u>	<u>Recovery Rate</u>
-3 or less	20%
-2	30%
-1	40%
0	45%
1	50%
2 or more	60%

Table III
Moody's Recovery Rates for Non-Senior Secured Loans

Number of rating sub-categories by which the Moody's Rating is above or below <u>the Moody's Default Probability Rating</u>	<u>Recovery Rate</u>
-3 or less	10.0%
-2	15.0%
-1	30.0%
0	40.0%
1	42.5%
2 or more	45.0%

Table IV
Moody's Recovery Rates for Debt Securities

Number of rating sub-categories by which the Moody's Rating is above or below <u>the Moody's Default Probability Rating</u>	<u>Recovery Rate</u> *
-3 or less	2%
-2	10%
-1	15%
0	30%
1	35%
2 or more	40%

* The recovery rate for a subordinated debt security shall be 15% if its Moody's Rating has been determined by reference to the definition of "Moody's Derived Rating."

Table V
Moody's Recovery Rates For Structured Finance Obligations

(a) With respect to Structured Finance Obligations that have a Diversity Score of 20 or less or a Moody's Asset Correlation Percentage of 15% or more.

Tranche as % of capital structure	Rating of a Tranche					
	Aaa	Aa	A	Baa	Ba	B
> 70%	80%	75%	60%	50%	45%	30%
≤ 70%, but > 10%	70%	60%	55%	45%	35%	25%
≤ 10%, but > 5%	60%	50%	45%	35%	25%	15%
≤ 5%, but > 2%	50%	40%	35%	30%	20%	10%
≤ 2%	30%	25%	20%	15%	7%	4%

(b) With respect to Structured Finance Obligations that have a Diversity Score greater than 20 or a Moody's Asset Correlation Percentage of less than 15%.

	Rating of a Tranche					
Tranche as % of capital structure	Aaa	Aa	A	Baa	Ba	B
> 70%	85%	80%	65%	55%	45%	30%
≤ 70%, but > 10%	75%	70%	60%	50%	40%	25%
≤ 10%, but > 5%	65%	55%	50%	40%	30%	20%
≤ 5%, but > 2%	55%	45%	40%	35%	25%	10%
≤ 2%	45%	35%	30%	25%	10%	5%

(c) With respect to Diversified Securities (as defined in Moody's published criteria).

	Rating of a Tranche					
Tranche as % of capital structure	Aaa	Aa	A	Baa	Ba	B
> 70%	85%	80%	70%	60%	50%	40%
≤ 70%, but > 10%	75%	70%	60%	50%	40%	30%
≤ 10%	70%	65%	55%	45%	35%	25%

(d) With respect to Residential Securities (as defined in Moody's published criteria).

	Rating of a Tranche					
Tranche as % of capital structure	Aaa	Aa	A	Baa	Ba	B
> 70%	85%	80%	65%	55%	45%	30%
≤ 70%, but > 10%	75%	70%	55%	45%	35%	25%
≤ 10%, but > 5%	65%	55%	45%	40%	30%	20%
≤ 5%, but > 2%	55%	45%	40%	35%	25%	15%
≤ 2%	45%	35%	30%	25%	15%	10%

(e) With respect to Undiversified Securities (as defined in Moody's published criteria).

	Rating of a Tranche					
Tranche as % of capital structure	Aaa	Aa	A	Baa	Ba	B
> 70%	85%	80%	65%	55%	45%	30%
≤ 70%, but > 10%	75%	70%	55%	45%	35%	25%
≤ 10%, but > 5%	65%	55%	45%	35%	25%	15%
≤ 5%, but > 2%	55%	45%	35%	30%	20%	10%
≤ 2%	45%	35%	25%	20%	10%	5%

(f) With respect to other Structured Finance Obligations, as provided by Moody's.

"Moody's Weighted Average Rating Factor": The number determined by summing the products obtained by multiplying the Principal Balance of each Collateral Debt Security (other than Defaulted Securities) by its Moody's Rating Factor, dividing such sum by the Aggregate Principal Balance of all such Collateral Debt Securities and rounding the result up to the nearest whole number.

"Moody's Weighted Average Recovery Rate": As of any date of determination, the number, expressed as a percentage, obtained by (i) summing the products obtained by multiplying (A) the Principal Balance of each Collateral Debt Security (excluding Defaulted Securities) by (B) its corresponding Moody's Recovery Rate, (ii) dividing such sum by the Aggregate Principal Balance of all Collateral Debt Securities (excluding Defaulted Securities), and (iii) rounding up to the nearest tenth of a percent.

"Moody's Weighted Average Spread Test": A test that is satisfied as of the Effective Date and any date of determination thereafter if the Weighted Average Spread *plus* the product of (i) the difference (if positive) between the Moody's Weighted Average Recovery Rate and the Modifier Variable multiplied by (ii) the Modifier Variable Multiplier in the table below corresponding to the Modifier Variable selected by the Collateral Manager is at least equal to 2.00%.

<u>Modifier Variable</u>	<u>Modifier Variable Multiplier</u>
45%	5%
48%	6%
52%	8%
56%	10%
60%	N/A

"Non-Permitted Holder": Any U.S. Person that is not (a) a QIB or an Accredited Investor, and (b) a Qualified Purchaser, or any Person for which representations made by such Person with respect to ERISA in any subscription agreement, representation letter or transfer certificate, or any such representation deemed to be made, are untrue.

"Non-Refinancing Period": The period from the Closing Date to but excluding the Payment Date in July 2011.

"Non-Senior Secured Loans": Any assignment of or Participation Interest in or other interest (including a Synthetic Security) in a loan that is not a Senior Secured Loan.

"Nonwithholding Synthetic Letter of Credit": A Synthetic Letter of Credit as to which (i) the Agent Bank has notified the Issuer or the Collateral Manager in writing, or the Underlying Instrument expressly provides, that fees paid in respect of the Synthetic Letter of Credit are not subject to U.S. withholding tax (other than backup U.S. withholding tax), (ii) the Underlying Instrument provides for payment of a full gross-up to the lenders in the event that fees paid in respect of the Synthetic Letter of Credit are subject to U.S. withholding tax, or (iii) the Agent Bank has notified the Issuer or the Collateral Manager in writing that the Agent Bank is, or the Agent Bank has commenced, withholding the tax with respect to the fees paid on a Synthetic Letter of Credit.

"Noteholder": With respect to any Note, the Person in whose name such Note is registered in the Security Register.

"Notes": Collectively, the Rated Notes and the Subordinated Notes, including any Additional Notes, and Notes issued in a Refinancing.

"Offer": With respect to any security, (i) any offer by the issuer of such security or by any other Person made to all of the holders of such security to purchase or otherwise acquire such security (other than pursuant to any redemption in accordance with the terms of the related Underlying Instruments) or to convert 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 related Underlying Instrument.

"Offering": The offering of the Securities described in this Offering Memorandum by the Issuer.

"Original Purchaser": Any holder of a Security that purchased such Security on the Closing Date from the Issuer or the Placement Agent.

"Outstanding":

(i) With respect to each Class of Securities, as of any date of determination, all of such Class of Securities theretofore authenticated and delivered under the Indenture except:

(a) Securities theretofore canceled by the Security Registrar or delivered to the Security Registrar for cancellation;

(b) Securities or portions thereof for whose payment or redemption funds in the necessary amount have been theretofore irrevocably deposited with the Trustee or any Paying Agent in trust for the Holders of such Securities; *provided* that if such Securities or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee is presented that any such Securities are held by a holder in due course; and

(d) Securities alleged to have been mutilated, destroyed, lost or stolen for which replacement Securities have been issued; and

(ii) with respect to all Securities in determining whether the Holders of the requisite Aggregate Outstanding Amount have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Collateral Manager Securities shall be disregarded and deemed not to be Outstanding with respect to a vote to (1) terminate the Collateral Management Agreement, (2) remove the Collateral Manager, (3) approve a successor Collateral Manager, if the Collateral Manager is being terminated for "cause" pursuant to the Collateral Management Agreement, (4) waive an event of default by the Collateral Manager under the Collateral Management Agreement or (5) increase the rights or reduce the responsibilities of the Collateral Manager under the Collateral Management Agreement. In determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent

or waiver, only Securities that a trust officer of the Trustee actually knows to be so owned shall be so disregarded. Securities so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Issuer or any other obligor upon the Securities or any Affiliate of the Issuer or such other obligor.

"Overcollateralization Test": Each of the Class A/B Overcollateralization Test, the Class C Overcollateralization Test, the Class D Overcollateralization Test and the Class E Overcollateralization Test.

"Partial PIK Security": A Collateral Debt Security on which the interest, in accordance with its related Underlying Instrument, as amended, is as of the date of determination, being (i) partly paid in Cash (*provided* that on the most recent distribution date in accordance with the related Underlying Instrument, the Issuer received interest in an amount at least equal to the principal amount of such Collateral Debt Security times the greater of (x) the London interbank offered rate plus the spread required by the related Underlying Instrument and (y) the London interbank offered rate plus 0.50% on an annualized basis) and (ii) partly deferred, or paid by the issuance of additional debt securities identical to such debt security or through additions to the principal amount thereof; *provided, however*, that such Collateral Debt Security will cease to be a Partial PIK Security at such time as it (a) ceases to defer interest or to pay any interest through the issuance of additional debt securities or through additions to the principal amount thereof, (b) pays in Cash all accrued interest that was previously paid-in-kind, (c) commences payment of all current interest in Cash, or (d) ceases paying any interest in Cash in accordance with clause (i). For the avoidance of doubt, if a Collateral Debt Security does not qualify as a Partial PIK Security due to the proviso in clause (i) above, it shall be deemed to be a PIK Security.

"Participation Interest": A participation interest in a loan (i) that is represented by a contractual obligation of a Selling Institution that has as of the Commitment Date at least a short-term rating of "A-1" (or a long-term rating of "A-") by S&P and a short-term rating of "P-1" (and is not on negative credit watch) by Moody's, or a long-term rating of "A3" and a short-term rating of "P-1" by Moody's (if such Selling Institution has both a long-term and a short-term rating by Moody's) or a long-term rating of "A2" by Moody's (if such Selling Institution has only a long-term rating by Moody's) and (ii) the underlying loan with respect to which would as of the Commitment Date otherwise be a Collateral Debt Security if it were acquired directly by the Issuer.

"Paying Agent": Any Person authorized by the Issuer to pay any amounts to be paid on any Securities on behalf of the Issuer pursuant to the Indenture.

"Person": An individual, corporation (including a business trust or a limited liability company), partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof.

"Physical Securities": The Physical Rated Notes and the Physical Subordinated Notes.

"PIK Security": An obligation that is, as of the date of determination, deferring all interest or paying all interest "in kind," which interest is otherwise payable in Cash.

"Prepaid Collateral Debt Security": A Collateral Debt Security (other than a Revolving Collateral Debt Security) that has been prepaid, whether by tender, redemption prior to the stated maturity of such Collateral Debt Security, exchange or other prepayment.

"Principal Balance": As of any date of determination, the Principal Balance of any Collateral Debt Security will equal the outstanding principal amount of such Collateral Debt Security, except that:

(a) other than as provided in clause (H) of paragraph (f) hereof, the Principal Balance of a Revolving Collateral Debt Security or a Delayed Drawdown Debt Security (including any Revolving Collateral Debt Security or a Delayed Drawdown Debt Security which is also a DIP Collateral Debt Security) will be the outstanding principal amount of such Revolving Collateral Debt Security or Delayed Drawdown Debt Security, plus any undrawn commitments that have not been irrevocably reduced with respect to such Revolving Collateral Debt Security or Delayed Drawdown Debt Security;

(b) the Principal Balance of any Equity Security will be zero;

(c) other than as provided in clause (H) of paragraph (f) hereof, the Principal Balance of a Synthetic Security will be the actual outstanding principal amount or notional amount of such Synthetic Security, unless the Collateral Manager determines otherwise and receives Rating Agency Confirmation;

(d) the Principal Balance of a Collateral Debt Security received upon acceptance of an Offer for another Collateral Debt Security which Offer expressly states that failure to accept such Offer may result in a default under the Underlying Instruments will be deemed to be the lower of (i) the Market Value and (ii) the Recovery Value of such Collateral Debt Security, until such time as Interest Proceeds or Principal Proceeds are received when due with respect to such Collateral Debt Security; at such time the Principal Balance of such Collateral Debt Security will be its outstanding principal amount;

(e) the Principal Balance of any Finance Lease at any time will be the capitalized amount thereof that would appear at such time on the balance sheet of the obligor thereof, prepared in accordance with U.S. generally accepted accounting principles; and

(f) solely for purposes of (x) sales of Credit Improved Securities as described in clause (b) under "Security for the Notes—Sales of Collateral Debt Securities," (y) clauses (v) and (vii) of the definition of Investment Criteria, and (z) calculation of the Class A Overcollateralization Ratio and calculation of the Overcollateralization Tests and the Interest Reinvestment Test (*provided* that clause (H) below will not be applicable to this clause (z)):

(A) the Principal Balance of any Collateral Debt Security that has become a PIK Security or a Partial PIK Security will be the outstanding principal amount thereof excluding any capitalized interest; *provided, however,* that, solely for purposes of calculating the Overcollateralization Tests and the Interest Reinvestment Test, if a PIK Security has been paying

interest through the issuance of additional debt securities identical to such PIK Security or through an addition to the principal amount thereof for (A) the lesser of six consecutive months and one missed payment period, if such PIK Security has a rating of "Ba1" or lower from Moody's or (B) the lesser of twelve consecutive months and two missed payment periods, if such PIK Security has a rating higher than "Ba1" from Moody's, the Principal Balance of such PIK Security shall be the lower of (1) the Market Value and (2) the Recovery Value of such PIK Security;

(B) the Principal Balance of a Defaulted Security (except for purposes of calculating the percentage set forth in subclause (B) of the Priority of Interest Payments) will be the lower of (1) the Market Value and (2) the Recovery Value of such Defaulted Security, except that the Principal Balance of a Defaulted Security held for more than three years after it becomes such will be zero;

(C) the Principal Balance of a Current Pay Obligation will be its par amount;

(D) any Discount Obligation or Purchased Discount Obligation shall have a Principal Balance equal to the purchase price paid for such Discount Obligation by the Issuer;

(E) the aggregate Principal Balance of the Collateral Debt Securities comprising any CCC Excess (as determined pursuant to the last paragraph of this definition) will equal the lesser of (1) 70% of the aggregate outstanding principal amount of such Collateral Debt Securities and (2) the aggregate Market Value of such Collateral Debt Securities;

(F) the Principal Balance of any Defaulted Loaned Collateral Debt Security shall be the lesser of (x) the outstanding amount of the related securities lending collateral and (y) the outstanding principal amount of such Defaulted Loaned Collateral Debt Security;

(G) to the extent that Collateral Debt Securities having Market Values determined by the Collateral Manager on behalf of the Issuer in accordance with clause (ii)(B) of the definition of "Market Value" exceed 10% of the Principal Collateral Value (as measured without giving effect to this provision), the Principal Balance of each such Collateral Debt Security comprising such excess (as determined pursuant to the last paragraph of this definition) will equal the Market Value of each such Collateral Debt Security; *provided, however*, that if no bid price value can be obtained (consistent with the methodology set forth in the definition of Market Value) for any Collateral Debt Security comprising such excess, the Principal Balance of each such Collateral Debt Security for which such bid price value could not be obtained shall be zero;

(H) the Principal Balance of any Revolving Collateral Debt Security, Delayed Drawdown Debt Security or Synthetic Security will be its outstanding principal amount (and will not include any undrawn commitment thereof or unfunded notional amount in the case of a Synthetic Security) plus any Balance held with respect to its undrawn commitment in the Revolver Funding Account or with respect to its unfunded amount in the Synthetic Security Reserve Account or in a Synthetic Security Collateral Account;

(I) the Principal Balance of any Zero Coupon Security will be the accreted value thereof; and

(J) the Principal Balance of any Written Down Obligation shall be the outstanding principal amount thereof minus (without duplication of any reduction already made in such principal amount) the Written Down Amount.

Notwithstanding the foregoing, the Principal Balance of any Collateral Debt Security will include any Principal Financed Accrued Interest with respect to such Collateral Debt Security. For purposes of determining which Collateral Debt Securities constitute the excess amounts referred to above in clause (E) above, the Collateral Manager on behalf of the Issuer shall select the applicable Collateral Debt Securities based on the percentage prices underlying their Market Values, beginning with the Collateral Debt Securities having the lowest such Market Value percentages. In the event that any Collateral Debt Security falls into more than one category above, its Principal Balance shall be the lowest applicable Principal Balance. For the avoidance of doubt, if any Collateral Debt Security is a Discount Obligation and has an S&P Rating of "CCC+" or lower, then if such Collateral Debt Security is included in the CCC Excess such Collateral Debt Security shall be haircut as provided in clause (f)(E) above and if such Collateral Debt Security is not included in the CCC Excess, such Collateral Debt Security shall be haircut as provided in clause (f)(D) above.

"Principal Collateral Value": As of any date of determination, the sum of (i) the Aggregate Principal Balance of the Collateral Debt Securities and (ii) the Balance of the Eligible Principal Investments.

"Principal Financed Accrued Interest": With respect to any Collateral Debt Security, the amount of accrued interest (if any) purchased with Principal Proceeds or purchased on the Closing Date or with Unused Proceeds, or with proceeds from the sale of any Additional Notes issued pursuant to the Indenture.

"Principal Gains": With respect to any Payment Date, the amount, if any, by which the aggregate principal payments (and any premiums in respect thereof) and Sale Proceeds (excluding accrued interest) of all Collateral Debt Securities paid in full, sold or terminated during the related Due Period and all prior Due Periods and received by the Issuer exceeds the aggregate Principal Balance (or, if greater, the original purchase price exclusive of accrued interest) of the Collateral Debt Securities paid in full, sold or terminated during such periods; *provided, however*, that any such amount shall be reduced by the sum of all Principal Gains designated by the Collateral Manager as Interest Proceeds pursuant to clause (a)(viii) of the definition of "Interest Proceeds" for all prior Payment Dates.

"Principal Proceeds": With respect to any Payment Date, all amounts received during the Due Period (and not designated for reinvestment or required to be deposited in the Synthetic Security Reserve Account or the Revolver Funding Account) that do not constitute Interest Proceeds (but excluding all amounts required to be deposited in a Synthetic LC Reserve Account) and any net Refinancing Proceeds that were not applied to redeem the Rated Notes that were being refinanced in connection with a Refinancing. If the Issuer receives any payment from a Securities Lending Counterparty that relates to a Collateral Debt Security that has been loaned to such Securities Lending Counterparty pursuant to a related Securities Lending Agreement, the portion of such payment that would have constituted Principal Proceeds had such payment been paid from the issuer of such Collateral Debt Security to the Issuer shall constitute

Principal Proceeds, and prior to a default under the related Securities Lending Agreement, any payment received by the Issuer under the related Securities Lending Collateral from the obligor thereon shall not constitute Principal Proceeds and such amounts shall be deposited in the Securities Lending Account. On the third Payment Date, any portion of the Remaining Reserve Amount that is not designated as Interest Proceeds pursuant to the Indenture, shall be distributed as Principal Proceeds.

"Priority of Payments": The Priority of Interest Payments, the Priority of Principal Payments and the Liquidation Priority of Payments.

"Proposed Portfolio": As of any date of determination, the portfolio of pledged Collateral Debt Securities resulting from the proposed acquisition, sale, maturity or other disposition of a Collateral Debt Security or a proposed reinvestment in an additional Collateral Debt Security, as the case may be.

"Purchased Discount Obligation": As of any date of determination, with respect to a Floating Rate Obligation, an obligation that has been purchased at a Purchase Price (as a percentage of the principal balance of such obligation) of less than 100% and has been irrevocably designated as a Purchased Discount Obligation in the sole discretion of the Collateral Manager in a notice delivered to the Trustee and the Collateral Administrator on or prior to the first date of determination following acquisition by the Issuer of such Floating Rate Obligation; *provided* that an obligation shall only be deemed to be a Purchased Discount Obligation if as of such date of determination, (i) it is not a Discount Obligation, (ii) each of the Coverage Tests and the Interest Reinvestment Test is satisfied and (iii) the Portfolio Profile Test and each of the Collateral Quality Tests is satisfied.

"QIB/QP": Any Person that, at the time of its acquisition, purported acquisition or proposed acquisition of Securities, is both a QIB and a Qualified Purchaser.

"Qualified Pricing Service": (i) LPC, LoanX, Markit Group Limited or (ii) with respect to bonds only, IDC or DebtX (in each case if independent from the Collateral Manager) or any other pricing service Independent from and selected by the Collateral Manager for which Rating Agency Confirmation has been obtained.

"Qualified Purchaser": Any Person that, at the time of its acquisition, purported acquisition or proposed acquisition of Securities, is a qualified purchaser for purposes of Section 3(c)(7) of the Investment Company Act, including, in the case of the Subordinated Notes, any "knowledgeable employee" with respect to the Issuer within the meaning of Rule 3c-5 of the Investment Company Act or Person that is wholly owned by such knowledgeable employees.

"Rated Notes": Collectively, the Senior Notes, the Mezzanine Notes and the Class E Junior Notes issued on the Closing Date and any Additional Notes that are rated by either Rating Agency.

"Rating Agency": Each of Moody's and S&P, in each case only for so long as Securities rated by such entity on the Closing Date are Outstanding and rated by such entity.

"Rating Agency Confirmation": Confirmation in writing (which may be evidenced by an exchange of electronic messages or facsimiles) from each Rating Agency (or the specified Rating Agency) that any proposed action or designation will not cause the then-current ratings of the Rated Notes to be reduced or withdrawn.

"Rating Factor Modifier": As of any date of determination, the amount equal to: (i) the amount (not less than zero) equal to the Moody's Weighted Average Recovery Rate as of such date (subject to a maximum percentage of the Modifier Variable) minus 44.5%; multiplied by (ii) 50 and multiplied by (iii) 100.

"Recovery Value": With respect to any Collateral Debt Security as of any date of determination, the lower of the Moody's Recovery Amount and the S&P Recovery Amount; *provided, however* that for purposes of determining the Recovery Value, the applicable S&P Recovery Rate shall be the Recovery Rate applicable to the most senior Class of Notes Outstanding.

"Redemption Date": Any Payment Date on which an Optional Redemption occurs.

"Reference Obligation": A debt security or other obligation upon which a Synthetic Security is based, which debt security or other obligation (i) is not itself a Synthetic Security, (ii) satisfies (and, if owned by the Issuer, would satisfy) the definition of Collateral Debt Security, and (iii) has a Market Value at the time of purchase (or commitment to purchase) the Synthetic Security of at least 80% of its principal balance; *provided* that with respect to any Credit-Linked Obligation, such security may, if specified therein, (A) consist of a class of securities or indebtedness of a specific seniority rather than a specific issuance of outstanding securities and/or (B) be subject to replacement with other obligations of the issuer of such security upon specified conditions.

"Reference Obligor": Any reference obligor specified in a Synthetic Security.

"Registered": With respect to any debt obligation, a debt obligation that is issued after July 18, 1984 and that is in registered form within the meaning of Section 881(c)(2)(B)(i) of the Code and the Treasury Regulations promulgated thereunder.

"Regulation S Global Class E Junior Note": Any Class E Junior Note issued in the form of a Regulation S Global Rated Note.

"Regulation S Global Security": Each of the Regulation S Global Rated Notes and the Regulation S Global Subordinated Notes.

"Regulation S Global Subordinated Note": Any Subordinated Note sold outside the United States to non-U.S. Persons (as defined in Regulation S) in reliance on Regulation S that is issued in the form of one or more permanent global securities in definitive, fully registered form without interest coupons.

"Regulation S Subordinated Note": Any Subordinated Note sold outside the United States to non-U.S. Persons (as defined in Regulation S) in reliance on Regulation S.

"Regulation U": Regulation U issued by the Board of Governors of the Federal Reserve System.

"Reinvestment Agreement": A guaranteed reinvestment agreement from a bank, insurance company or other corporation or entity which provides for termination at any time by the Issuer (without payment of a make whole or penalty) or for which Rating Agency Confirmation is obtained from S&P.

"Replacement Principal": A replacement for either Gunther Stein or Lenny Mason (or any existing Replacement Principal therefor) who will be actively engaged in the daily activities of the Collateral Manager under the Collateral Management Agreement and in its CDO management business generally on a substantially full time basis; *provided* that a Majority of the Subordinated Notes (or, if at the time of notice of such replacement from the Collateral Manager the Class D Overcollateralization Test is not satisfied, a Supermajority of the Controlling Class) do not object to the Replacement Principal within 45 days after receipt of notice of such replacement from the Collateral Manager. The Collateral Manager will have a period of 90 days following the date on which either Gunther Stein or Lenny Mason (or any existing Replacement Principal therefor) ceases to be so engaged to propose a Replacement Principal.

"Restricted Trading Condition": A condition that exists on each day on which (i) the Moody's rating of any of the Senior Notes is one or more subcategories below its initial rating as of the Closing Date, (ii) the Moody's rating of any Class of Mezzanine Notes is two or more subcategories below its initial rating, or (iii) the Moody's rating of any Senior Notes or Mezzanine Notes has been withdrawn and not reinstated; *provided, however*, that if the Restricted Trading Condition is in effect, a Majority of the Controlling Class may elect to waive such condition, which waiver shall remain in effect until the earlier of (A) revocation of such waiver by a Majority of the Controlling Class and (B) a further downgrade or withdrawal of the rating of any Class of Notes that, notwithstanding such waiver, would cause the Restricted Trading Condition to apply.

"Revolving Collateral Debt Security": That portion of any Collateral Debt Security (other than a Delayed Drawdown Debt Security) that is a senior secured obligation (including funded and unfunded portions of revolving credit lines, unfunded commitments under specific facilities and other similar loans and investments) that under the Underlying Instruments relating thereto may require one or more future advances to be made to the obligor by the Issuer; *provided, however*, that any such Collateral Debt Security will be a Revolving Collateral Debt Security only until all commitments by the Issuer to make advances to the obligor thereof expire, or are terminated, or are permanently reduced to zero.

"Rule 144A": Rule 144A under the Securities Act.

"Rule 144A Class E Junior Notes": Any Class E Junior Note sold in the United States in reliance on Rule 144A.

"Rule 144A Global Class E Junior Note": Any Class E Junior Note issued in the form of a Rule 144A Global Rated Note.

"Rule 144A Subordinated Notes": Any Subordinated Note sold in the United States in reliance on Rule 144A represented by a permanent, physical security in definitive, fully registered form evidencing such Notes.

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

"S&P Asset Specific Recovery Rating": With respect to any Collateral Debt Security, the corporate recovery rating assigned by S&P (i.e. the S&P Recovery Rate) to such Collateral Debt Security.

"S&P Average Recovery Rate": As of any date of determination, for any Class of Notes, the number, expressed as a percentage, obtained by:

- (i) summing the products obtained by *multiplying*:
 - (A) the Principal Balance of each Collateral Debt Security (excluding Defaulted Securities), *by*
 - (B) its corresponding S&P Recovery Rate for such Class;
- (ii) *dividing* such sum *by* the Aggregate Principal Balance of all Collateral Debt Securities (excluding Defaulted Securities), and
- (iii) rounding up to the first decimal place.

"S&P CDO Monitor": (i) A dynamic, analytical computer model developed by S&P, provided by S&P to the Collateral Manager, the Trustee and the Collateral Administrator, used to calculate the default frequency in the portfolio of Collateral Debt Securities held by the Issuer in terms of the amount of debt assumed to default as a percentage of the original principal amount of the Collateral Debt Securities consistent with a specified benchmark rating level based upon certain assumptions and S&P's proprietary corporate default studies or (ii) any other model used similarly for which Rating Agency Confirmation has been obtained from S&P.

"S&P CDO Monitor Test": A test that will be (i) satisfied on any date of determination if, after giving effect to the sale of a Collateral Debt Security (excluding Defaulted Securities) or the purchase of an additional Collateral Debt Security (excluding Defaulted Securities), each Class Default Differential is positive and (ii) improved if each Class Default Differential of the Proposed Portfolio is greater than the corresponding Class Default Differential of the Current Portfolio. For purposes of determining the Class Default Differential, (a) the applicable S&P Average Recovery Rate will be chosen by the Collateral Manager in accordance with the definition of "S&P Minimum Weighted Average Recovery Rate" and the Indenture and (b) the applicable S&P Minimum Average Spread will be chosen by the Collateral Manager in accordance with the definition of "S&P Minimum Average Spread" and the Indenture.

"S&P Derived Rating": An S&P Rating based on a rating determined pursuant to clause (v) of the definition thereof.

"S&P Industry Classification": The S&P Industry Classifications set forth in Schedule B-1 of the Indenture, which industry classifications may be updated at the option of the Collateral Manager if S&P publishes revised industry classifications and S&P or the Collateral Manager provides written notice thereof to the Trustee and the Collateral Administrator.

"S&P Minimum Average Spread": The value in the table below elected by the Collateral Manager from time to time with five Business Days' prior notification to the Trustee, the Collateral Administrator and S&P; *provided* that such election shall not be effective unless after giving effect to such election the S&P CDO Monitor Test is satisfied and the same case number is selected by the Collateral Manager for the S&P Minimum Weighted Average Recovery Rate:

<u>Option</u>	<u>S&P Minimum Average Spread</u>
1	2.00%
2	2.25%
3	2.35%
4	2.55%
5	2.75%
6	3.00%
7	3.25%

"S&P Minimum Weighted Average Recovery Rate": The S&P Minimum Weighted Average Recovery Rate in the table below selected by the Collateral Manager from time to time with five Business Days' prior notification to the Trustee, the Collateral Administrator and S&P; *provided* that such election will not be effective unless after giving effect to such election the S&P CDO Monitor Test is satisfied and the same case number is selected by the Collateral Manager for the S&P Minimum Average Spread:

Case	Class A S&P Minimum Weighted Average Recovery Rate	Class B S&P Minimum Weighted Average Recovery Rate	Class C S&P Minimum Weighted Average Recovery Rate	Class D S&P Minimum Weighted Average Recovery Rate	Class E S&P Minimum Weighted Average Recovery Rate
1	65.70%	68.70%	71.70%	74.70%	77.70%
2	62.50%	65.50%	68.50%	71.50%	74.50%
3	61.15%	64.15%	67.15%	70.15%	73.15%
4	58.50%	61.50%	64.50%	67.50%	70.50%
5	55.95%	58.95%	61.95%	64.95%	67.95%
6	53.50%	56.50%	59.50%	62.50%	65.50%
7	52.00%	55.00%	58.00%	61.00%	64.00%

"S&P Minimum Weighted Average Recovery Rate Test": A test satisfied if as of any date of determination each of the Class A S&P Minimum Weighted Average Recovery Rate Test, the Class B S&P Minimum Weighted Average Recovery Rate Test, the Class C S&P

Minimum Weighted Average Recovery Rate Test, the Class D S&P Minimum Weighted Average Recovery Rate Test and the Class E S&P Minimum Weighted Average Recovery Rate Test is satisfied.

"S&P Minimum Weighted Average Spread Test": A test that is satisfied on any date of determination if the Weighted Average Spread is equal to or greater than the S&P Minimum Average Spread.

"S&P Non-Notching Security": Any non-U.S. structured finance security, guaranteed security, CDO of structured finance and/or real estate securities, CDO of CBO, CLO of distressed debt, mutual fund fee security, catastrophe bond, first loss tranche of any securitization, synthetic, synthetic CBO, combination security, Re-REMIC, market value CDO, net interest margin security (NIM) synthetic security, debtor-in-possession loan or other security, repackaged security, DIP Collateral Debt Security or Finance Lease.

"S&P Rating": The S&P Rating of any Collateral Debt Security will be determined in the following manner:

With respect to any Collateral Debt Security:

(i) If the Collateral Debt Security is a DIP Collateral Debt Security or a Structured Finance Obligation, then (A) if such Collateral Debt Security has a S&P credit rating, such rating or (B) the S&P Rating shall be the written credit estimate assigned thereto by S&P upon application therefor by the Issuer or the Collateral Manager, on behalf of the Issuer, in conjunction with the acquisition thereof.

(ii) If the Collateral Debt Security is a Synthetic Security, then (A) if such Collateral Debt Security has a S&P credit rating, the S&P Rating shall be such credit rating; or (B) if such Collateral Debt Security does not have a S&P credit rating, the S&P Rating shall be the written credit estimate assigned thereto by S&P upon application therefor by the Issuer or the Collateral Manager, on behalf of the Issuer, in conjunction with the acquisition thereof.

(iii) (A) If there is a publicly issued S&P long-term issuer credit rating of the obligor, or the guarantor that unconditionally and irrevocably guarantees in writing the timely payment of principal and interest on a Collateral Debt Security, then the S&P Rating will be such rating; or (B) if there is no publicly issued S&P long-term issuer credit rating of the obligor, or such guarantor, as the case may be, but there is a publicly issued S&P long-term rating of another debt obligation of such obligor, or guarantor, then the S&P Rating will be determined by adjusting the rating of the related rated obligation of the related obligor, or guarantor, as the case may be, by the number of rating subcategories according to the table below.

<u>Obligation Category of Rated Obligations</u>	<u>Rating of Rated Obligation</u>	<u>Number of Subcategories Relative to Rated Obligation Rating</u>
Senior Unsecured		0
Senior Secured		-1
Subordinated	>BB+	+1
Subordinated	≤BB+	+2

(iv) If the Collateral Debt Security is a Current Pay Obligation, then (A) if such Collateral Debt Security has a S&P credit rating, such rating or (B) "CCC-".

(v) If the S&P Rating of a Collateral Debt Security is not otherwise determinable in accordance with the foregoing clauses (i) through (iv), then either:

(A) The Issuer or the Collateral Manager on behalf of the Issuer shall notify S&P that it intends to apply for a credit estimate from S&P prior to or immediately following acquisition of such Collateral Debt Security. Such notice shall be delivered to Credit_estimates@sandp.com. The Issuer or the Collateral Manager on behalf of the Issuer shall deliver to S&P the information required pursuant to the Credit Estimate Information Requirements, and any other information reasonably required by S&P, with respect to such Collateral Debt Security to enable them to assign a written credit estimate (collectively, the "**Credit Estimate Information**"). The S&P Rating shall be the rating determined in good faith by the Collateral Manager using its commercially reasonable business judgment (*provided* that such rating shall not be higher than "B-" unless such Collateral Debt Security is a Senior Secured Loan) (the "**CM Rating**") until a written credit estimate is assigned thereto by S&P; *provided, however* that if the Issuer or the Collateral Manager on behalf of the Issuer has not delivered the Credit Estimate Information to S&P within 30 days following the acquisition of such Collateral Debt Security, (a) S&P shall endeavor to produce a credit estimate as soon as reasonably practicable upon receipt of all Credit Estimate Information, (b) if S&P is not able to perform a credit estimate within 90 days of the date of acquisition of such Collateral Debt Security, the S&P Rating shall be CCC- until S&P is able to assign a written credit estimate and (c) notwithstanding the foregoing, the Issuer or the Collateral Manager on behalf of the Issuer may submit a request to S&P (an "**Extension Request**") that the CM Rating of such Collateral Debt Security shall continue to be the S&P Rating beyond such 90-day period, *provided* that, S&P is not obligated to grant such Extension Request; or

(B) For any Collateral Debt Security other than an S&P Non-Notching Security or an obligation with respect to which an S&P rating was withdrawn, if the Collateral Debt Security has a Moody's rating and such rating (A) is a public Moody's credit rating (so long as such Moody's credit rating is not derived from any S&P credit rating); (B) is continuously monitored by Moody's; (C) contains no qualifiers; and (D) is equal to or greater than "Caa1," then the S&P Rating shall be reduced below the equivalent Moody's rating subcategory by (x) one subcategory if such Moody's rating is better than "BB+" and (y) two subcategories if such Moody's rating is less than or equal to "BB+"; *provided, however*, that the Principal Collateral Value of Collateral

Debt Securities assigned a rating based on this clause (B) shall not exceed 10% of the Principal Collateral Value of the Collateral Debt Securities.

(vi) If the Collateral Debt Security has not been assigned a S&P Rating pursuant to the foregoing clauses (i) through (v), the S&P Rating shall be deemed to be "CCC-", and the Collateral Manager shall so notify S&P in writing.

Notwithstanding anything to the contrary in any of the foregoing:

(1) If the S&P credit rating of any Collateral Debt Security or obligor or guarantor, as the case may be, under clauses (i) through (v) is on S&P's Credit Watch list with a "positive" or "negative" designation, then such rating will be raised or lowered by one rating subcategory, respectively;

(2) If such obligor or guarantor, as the case may be, is not Domiciled in the United States, then any reference to the S&P issuer credit rating shall mean the S&P foreign currency issuer credit rating;

(3) Any S&P credit rating that contains a qualifier, including "p," "pi," "t," "r" or "q," shall not be a valid S&P credit rating for use in determining the S&P Rating; and

(4) Any reference to S&P credit rating in this definition shall mean the public S&P credit rating and shall not include any private or confidential S&P credit rating unless (1) the obligor and any other relevant party has provided, at the request of the Issuer or the Collateral Manager, written consent to S&P for the use of such rating; and (2) such rating is subject to continuous monitoring by S&P.

(5) So long as any of the Notes remain Outstanding, on or prior to each one year anniversary of the date on which S&P assigns a credit estimate to a Collateral Debt Security (as indicated in the letter from S&P assigning such credit estimate), the Issuer shall submit to S&P a request to perform a credit estimate of such Collateral Debt Security, together with all Credit Estimate Information pursuant to the provisions hereof.

(6) If the Collateral Debt Security is a Structured Finance Obligation then the S&P Rating shall be determined as follows:

(i) if S&P has assigned a rating to such Structured Finance Obligation either publicly or privately (in the case of a private rating, with appropriate consents for the use of such private rating), the S&P Rating shall be the rating assigned thereto by S&P;

(ii) if such Structured Finance Obligation is not rated by S&P but the Issuer or the Collateral Manager on behalf of the Issuer has requested that S&P assign a rating to such Structured Finance Obligation, the S&P Rating shall be the rating so assigned by S&P; *provided* that pending receipt from S&P of such rating, (A) if such Structured Finance Obligation is an S&P Non-Notching Security, such Structured

Finance Obligation shall have an S&P Rating of "CCC-" and (B) if such Structured Finance Obligation is not an S&P Non-Notching Security and is eligible for notching in accordance with S&P guidelines, the S&P Rating of such Structured Finance Obligation shall be the rating assigned in accordance with S&P's published guidelines until such time as S&P shall have assigned a rating thereto; and

(iii) if such Structured Finance Obligation has not been assigned a rating by S&P pursuant to clause (i) or (ii) above but has been assigned a rating by Moody's, and is not an S&P Non-Notching Security, the S&P Rating of such Structured Finance Obligation shall be the rating determined in accordance with S&P's published guidelines; *provided* that (A) if any Structured Finance Obligation is on watch for a possible upgrade or downgrade by Moody's, the S&P Rating of such Structured Finance Obligation shall be one subcategory above or below, respectively, the rating otherwise assigned to such Structured Finance Obligation in accordance with S&P's published guidelines and (B) the Aggregate Principal Balance of all Structured Finance Obligations that are assigned an S&P Rating pursuant to this clause (iii) may not exceed 5% of the Principal Collateral Value.

"S&P Recovery Amount": With respect to any Collateral Debt Security, the amount equal to the product of (i) the applicable S&P Recovery Rate and (ii) the Principal Balance of such Collateral Debt Security.

"S&P Recovery Rate": The S&P Recovery Rate of any Collateral Debt Security will be determined in the following manner (the S&P Recovery Rates set forth below may be increased if Rating Agency Confirmation has been received from S&P); *provided, however* that so long as the S&P Minimum Weighted Average Recovery Rate Test is satisfied on such date and Rating Agency Confirmation is received from S&P, on any Business Day, upon delivery of notice to the Trustee and the Collateral Administrator, the Collateral Manager may elect that the S&P Recovery Rate shall be determined on all dates of determination thereafter solely in the manner provided in clause (c) below :

(a) If the Collateral Debt Security has an S&P Asset Specific Recovery Rating, then the S&P Recovery Rate is the applicable percentage set forth in Table 1 below, based on such S&P Asset Specific Recovery Rating and the applicable Class of Note.

	S&P Recovery Rate for Rated Notes rated "AAA"	S&P Recovery Rate for Rated Notes rated "AA"	S&P Recovery Rate for Rated Notes rated "A"	S&P Recovery Rate for Rated Notes rated "BBB"	S&P Recovery Rate for Rated Notes rated "BB"	S&P Recovery Rate for Rated Notes rated "B" and "CCC"
Asset Specific Recovery Rates	(%)	(%)	(%)	(%)	(%)	(%)
1+	100	100	100	100	100	100
1	92	94	96	98	100	100
2	78	81	84	87	90	90
3	58	61	64	67	70	70
4	38	41	44	47	50	50
5	16	20	24	27	30	30
6	6	7	8	9	10	10

* The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Rated Notes and the rating thereof as of the Closing Date.

(b) If the Collateral Debt Security is either senior unsecured debt or subordinated debt that does not have an S&P Asset Specific Recovery Rating and the senior secured debt of the same obligor has an S&P Asset Specific Recovery Rating, then the S&P Recovery Rate is the applicable percentage set forth in Table 2, 3, 4 or 5 below, as applicable, based on such S&P Asset Specific Recovery Rating and the applicable Class of Note.

	S&P Recovery Rate for Rated Notes rated "AAA"	S&P Recovery Rate for Rated Notes rated "AA"	S&P Recovery Rate for Rated Notes rated "A"	S&P Recovery Rate for Rated Notes rated "BBB"	S&P Recovery Rate for Rated Notes rated "BB"	S&P Recovery Rate for Rated Notes rated "B" and "CCC"
Senior secured asset specific recovery rating	(%)	(%)	(%)	(%)	(%)	(%)
1+	53	55	57	59	61	61
1	48	50	52	54	56	56
2	43	45	47	49	51	51

3	39	41	43	45	47	47
4	22	24	26	28	30	30
5	8	10	12	14	15	15
6	4	4	4	4	4	4

* The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Rated Notes and the rating thereof as of the Closing Date.

Table 3: S&P Recovery Rates for European and Asian Senior Unsecured Debt If Senior Secured Has an S&P Asset Specific Recovery Rating*

	S&P Recovery Rate for Rated Notes rated "AAA"	S&P Recovery Rate for Rated Notes rated "AA"	S&P Recovery Rate for Rated Notes rated "A"	S&P Recovery Rate for Rated Notes rated "BBB"	S&P Recovery Rate for Rated Notes rated "BB"	S&P Recovery Rate for Rated Notes rated "B" and "CCC"
Senior secured asset specific recovery rating	(%)	(%)	(%)	(%)	(%)	(%)
Group A1						
1+	65	68	71	73	76	76
1	57	60	63	65	68	68
2	50	53	55	57	59	59
3	42	45	47	49	51	51
4	18	18	18	18	18	18
5	8	8	8	8	8	8
6	4	4	4	4	4	4
Group A2						
1+	53	55	57	59	61	61
1	48	50	52	54	56	56
2	43	45	47	49	51	51
3	39	41	43	45	47	47
4	18	18	18	18	18	18
5	8	8	8	8	8	8
6	4	4	4	4	4	4
Group B						
1+	45	46	48	49	51	51
1	41	43	44	46	47	48
2	37	39	41	42	44	44
3	33	36	37	39	40	41
4	16	16	16	16	16	16
5	6	6	6	6	6	6
6	3	3	3	3	3	3
<i>Group A1: U.K., Ireland, Finland, Denmark, Netherlands, South Africa, Australia, and New Zealand</i> <i>Group A2: Belgium, Germany, Austria, Spain, Portugal, Luxembourg, Switzerland, Sweden, Norway, Hong Kong, and Singapore</i> <i>Group B: France, Italy, Greece, Japan, Korea, and Taiwan</i>						

* The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Rated Notes and the rating thereof as of the Closing Date.

Table 4: S&P Recovery Rates for U.S. and Canadian Subordinated Debt If Senior Secured Has an S&P Asset Specific Recovery Rating*						
	S&P Recovery Rate for Rated Notes rated "AAA"	S&P Recovery Rate for Rated Notes rated "AA"	S&P Recovery Rate for Rated Notes rated "A"	S&P Recovery Rate for Rated Notes rated "BBB"	S&P Recovery Rate for Rated Notes rated "BB"	S&P Recovery Rate for Rated Notes rated "B" and "CCC"
1+	25	25	25	25	25	25
1	22	22	22	22	22	22
2	20	20	20	20	20	20
3	20	20	20	20	20	20
4	10	10	10	10	10	10
5	5	5	5	5	5	5
6	2	2	2	2	2	2

* The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Rated Notes and the rating thereof as of the Closing Date.

Table 5: S&P Recovery Rates for European and Asian Subordinated Debt If Senior Secured Has an S&P Asset Specific Recovery Rating*						
	S&P Recovery Rate for Rated Notes rated "AAA"	S&P Recovery Rate for Rated Notes rated "AA"	S&P Recovery Rate for Rated Notes rated "A"	S&P Recovery Rate for Rated Notes rated "BBB"	S&P Recovery Rate for Rated Notes rated "BB"	S&P Recovery Rate for Rated Notes rated "B" and "CCC"
Group A1						
1+	22	22	22	22	22	22
1	20	20	20	20	20	20
2	18	18	18	18	18	18
3	18	18	18	18	18	18
4	9	9	9	9	9	9
5	4	4	4	4	4	4
6	2	2	2	2	2	2
Group A2						
1+	22	22	22	22	22	22
1	20	20	20	20	20	20
2	18	18	18	18	18	18
3	18	18	18	18	18	18
4	9	9	9	9	9	9
5	4	4	4	4	4	4
6	2	2	2	2	2	2

Group B						
1+	20	20	20	20	20	20
1	17	17	17	17	17	17
2	15	15	15	15	15	15
3	15	15	15	15	15	15
4	8	8	8	8	8	8
5	3	3	3	3	3	3
6	1	1	1	1	1	1

* The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Rated Notes and the rating thereof as of the Closing Date.

(c) In all other cases, the S&P Recovery Rate is the applicable percentage set forth in Table 6, 7 or 8 below, as applicable, based on the applicable Class of Note.

Table 6: S&P U.S. and Canadian Tiered Corporate Recovery Rates (By Asset Class And Class of Notes)*

	S&P Recovery Rate for Rated Notes rated "AAA"	S&P Recovery Rate for Rated Notes rated "AA"	S&P Recovery Rate for Rated Notes rated "A"	S&P Recovery Rate for Rated Notes rated "BBB"	S&P Recovery Rate for Rated Notes rated "BB"	S&P Recovery Rate for Rated Notes rated "B" and "CCC"
U.S. and Canadian loan recovery rates (%)						
Senior secured first-lien						
	56	60	64	67	70	70
Senior unsecured and second-lien***	40	42	44	46	48	48
Subordinated	22	22	22	22	22	22
U.S. and Canadian bond recovery rates (%)						
Senior secured	48	49	50	51	52	52
Unsecured	38	41	42	44	45	45
Subordinated	19	19	19	19	19	19
Other recovery rates (%)						
DIP Collateral Debt Securities	56	60	64	67	70	70
Synthetic Securities	**	**	**	**	**	**
Finance Leases	**	**	**	**	**	**

* The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Rated Notes and the rating thereof as of the Closing Date.

** Pending assignment by S&P on a case-by-case basis, 10.00% (until the earlier of (i) 45 calendar days after acquisition of such Collateral Debt Security and (ii) receipt of a recovery rate on such Collateral Debt Security (or on a Form-Approved Synthetic Security, if applicable) from S&P; *provided, however* that with respect to Synthetic Securities, the recovery rate applicable to a Form-Approved Synthetic Security shall be the recovery rate applicable to the Deliverable Obligation with the lowest S&P Recovery Rate, unless the Collateral Manager, acting on behalf of the Issuer, requests that a recovery rate be assigned by S&P to such Form-Approved Synthetic Security.

*** If second lien loans are less than or equal to 15% of the Principal Collateral Value, the second lien loans will be treated as senior unsecured loans, and if second lien loans exceed 15% in Aggregate Principal Amount of the Collateral Portfolio, the excess over 15% will be treated as subordinated loans, in each case, unless otherwise assigned a higher rate by S&P.

Table 7: S&P European and Asian Tiered Corporate Recovery Rates (By Asset Class And Class of Notes)*

	S&P Recovery Rate for Rated Notes rated "AAA"	S&P Recovery Rate for Rated Notes rated "AA"	S&P Recovery Rate for Rated Notes rated "A"	S&P Recovery Rate for Rated Notes rated "BBB"	S&P Recovery Rate for Rated Notes rated "BB"	S&P Recovery Rate for Rated Notes rated "B" and "CCC"
Senior secured loans (%)						
Group A1	68	73	78	81	85	85
Group A2	56	60	64	67	70	70
Group B	48	51	55	57	60	60
Mezzanine/second-lien/senior unsecured loans (%)						
Group A1	45	47	50	52	54	54
Group A2	40	42	44	46	48	48
Group B	35	37	39	40	42	42
Subordinated loans (%)						
Group A1	20	20	20	20	20	20
Group A2	20	20	20	20	20	20
Group B	17	17	17	17	17	17
Senior secured bonds (%)						
Group A1	60	61	62	63	64	64
Group A2	48	49	50	51	52	52
Group B	43	44	45	46	47	47
Senior unsecured bonds (%)						
Group A1	40	42	44	46	48	48
Group A2	38	41	42	44	45	45
Group B	32	35	36	38	39	40
Subordinated bonds (%)						
Group A1	18	18	18	18	18	18
Group A2	18	18	18	18	18	18
Group B	15	15	15	15	15	15
<i>Group A1: U.K., Ireland, Finland, Denmark, Netherlands, South Africa, Australia, and New Zealand</i>						
<i>Group A2: Belgium, Germany, Austria, Spain, Portugal, Luxembourg, Switzerland, Sweden, Norway, Hong Kong, and Singapore</i>						
<i>Group B: France, Italy, Greece, Japan, Korea, and Taiwan</i>						

* The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Rated Notes and the rating thereof as of the Closing Date.

	S&P Recovery Rate for Rated Notes rated "AAA"	S&P Recovery Rate for Rated Notes rated "AA"	S&P Recovery Rate for Rated Notes rated "A"	S&P Recovery Rate for Rated Notes rated "BBB"	S&P Recovery Rate for Rated Notes rated "BB"	S&P Recovery Rate for Rated Notes rated "B" and "CCC"
Sovereign debt	37	38	40	47	49	50
Corporate debt	22	24	32	33	35	37

* The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Rated Notes and the rating thereof on the Closing Date.

** Emerging markets include countries that have a sovereign currency rating that is lower than "AA-" and is not assigned to Groups A1, A2 or B.

The recoveries in Table 8 do not apply to future flow, project finance, asset-backed securities, or synthetic debt. Rather, they apply only to sovereign, corporate, and financial institution debt. Furthermore, while Table 8 does not differentiate between senior and subordinated debt, if the included debt is junior or subordinated to other debt when rating a transaction, and S&P will adjust the recoveries as appropriate.

(d) The recovery rates for Structured Finance Securities are shown in Table 9 below.

	S&P Recovery Rate for Rated Notes rated "AAA"	S&P Recovery Rate for Rated Notes rated "AA"	S&P Recovery Rate for Rated Notes rated "A"	S&P Recovery Rate for Rated Notes rated "BBB"	S&P Recovery Rate for Rated Notes rated "BB"	S&P Recovery Rate for Rated Notes rated "B"	S&P Recovery Rate for Rated Notes rated "CCC"
Senior SF Securities rating**							
AAA	80	85	90	90	90	90	90
AA	70	75	85	90	90	90	90
A	60	65	75	85	90	90	90
BBB	50	55	65	75	85	85	85
Junior SF Securities rating**							
AAA	65	75	80	85	85	85	85
AA	55	65	75	80	80	80	80
A	40	45	55	65	80	80	80
BBB	30	35	40	45	50	60	70
BB	10	10	10	25	35	40	50
B	3	5	5	10	10	20	25
CCC	0	0	0	0	3	5	5

* The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Rated Notes and the rating thereof on the Closing Date.

** The S&P rating of the Structured Finance Security will be the applicable rate set forth above based on the rating thereof on the date of issuance of such Structured Finance Security. Excludes U.S. CMBS, project finance, future flow, synthetic CDOs, synthetics, guaranteed ABS, IO and PO strips, NIMS and first-loss tranches.

	S&P Recovery Rate for Rated Notes rated "AAA"	S&P Recovery Rate for Rated Notes rated "AA"	S&P Recovery Rate for Rated Notes rated "A"	S&P Recovery Rate for Rated Notes rated "BBB"	S&P Recovery Rate for Rated Notes rated "BB"	S&P Recovery Rate for Rated Notes rated "B"	S&P Recovery Rate for Rated Notes rated "CCC"
U.S. CMBS asset rating							
AAA	80	85	90	90	90	90	90
AA	70	75	85	90	90	90	90
A	60	65	75	85	90	90	90
BBB	45	50	55	60	65	70	75
B	20	25	30	35	35	40	40
CCC	5	5	5	5	5	5	5

* The S&P Recovery Rate will be the applicable rate set forth above based on the applicable Class of Rated Notes and the rating thereof on the Closing Date.

"Sale Proceeds": All Cash proceeds (including Principal Financed Accrued Interest but excluding any other accrued interest) that are received with respect to sales or other disposition of Collateral Debt Securities, Eligible Principal Investments and Equity Securities net of any amounts expended by the Collateral Manager, the Issuer or the Trustee in connection with such sale or other disposition that are reimbursable pursuant to the Indenture.

"Scheduled Distributions": With respect to any Pledged Security, for each Due Date, the scheduled payment of principal and/or interest due on such Due Date with respect to such Pledged Obligation, determined in accordance with the assumptions specified the Indenture.

"Second Lien Loan": Any assignment of or Participation Interest in or other interest (including a Synthetic Security) in a loan other than a Senior Secured Loan (without regard to the second proviso in the definition thereof) (i) that is not (and cannot by its terms become in any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings or otherwise) subordinate in right of payment to any unsecured obligation of the obligor other than a Senior Secured Loan and (ii) that is secured by a valid and perfected second priority security interest or lien on specified collateral (excluding obligations secured solely by intangibles and/or common stock or other equity interests); *provided, however*, that such right of payment, security interest or lien may be subordinate to customary permitted liens, such as, but not limited to, tax liens; *provided, further*, for purposes of the criteria applicable to S&P and the definition of "S&P Recovery Rate," unless an asset specific (i.e., non-tiered) S&P Recovery Rate has been assigned to such loan, then solely for the purpose of determining the S&P Recovery Rate for such loan, the Collateral Manager determines in good faith that the value of the collateral securing the loan on or about the time of origination equals or exceeds the outstanding principal amount of such

loan, plus the outstanding principal amount of all other loans of equal or higher seniority secured by a first or second lien or security interest in the same collateral which value may include, among other things, the enterprise value of the issuer of such loan.

"Secured Parties": Collectively, (i) the Trustee, (ii) the Collateral Manager, (iii) the Collateral Administrator, (iv) each Holder of Securities, (v) any Hedge Counterparty, (vi) the Financing Party (or any assignee thereof) and (vii) the Placement Agent, in each case, to the extent provided in the Indenture.

"Securities": The Notes.

"Securities Act": The United States Securities Act of 1933, as amended.

"Selling Institution": The entity obligated to make payments to the Issuer under the terms of a Participation Interest.

"Senior Deferred Structuring Fee": The fee payable, to the extent of the funds available for such purpose in accordance with the Priority of Payments, to the Placement Agent in arrears, on each Payment Date on or prior to the Payment Date in July 2011, in an amount equal to 0.10% *per annum* (calculated on the basis of a 360-day year and the actual number of days elapsed during the applicable Due Period) of the Fee Basis Amount with respect to such Payment Date.

"Senior Notes": Collectively, the Class A Senior Notes and the Class B Senior Notes.

"Senior Secured Bond": Any note that is secured by a pledge of collateral, which lien has the most senior pre-petition priority (including *pari passu* with other obligations of the obligor, but subject to customary permitted liens, such as, but not limited to, any tax liens) in any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings.

"Senior Secured Loan": Any assignment of or Participation Interest in or other interest (including a Synthetic Security) in a loan (i) that is not (and cannot by its terms become in any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings or otherwise) subordinate in right of payment to any obligation of the obligor, (ii) that is secured by a pledge of collateral, (iii) (a) that is secured by a valid first priority perfected security interest on specified collateral, or (b) with respect to which the Collateral Manager determines in good faith that the value of the collateral securing the loan on or about the time of acquisition by the Issuer equals or exceeds the outstanding principal balance of the loan plus the aggregate outstanding balances of all other loans of equal or higher seniority secured by the same collateral and (iv) that is not secured solely or primarily by common stock or other equity interests; *provided, however*, that such right of payment, security interest or lien may be subordinate to customary permitted liens, such as, but not limited to, tax liens; *provided, further*, that any assignment of, or Participation Interest in or other interest (including a Synthetic Security) in, a loan shall not be a "Senior Secured Loan" for the purposes of clause (v) of the definition of "Portfolio Profile Test" unless (1) both clauses (iii)(a) and (iii)(b) are satisfied and (2) the rating of such loan is not lower than the obligor's Moody's corporate family rating.

"Senior Unsecured Loan": Any assignment of or Participation Interest in or other interest (including a Synthetic Security) in a loan that is not secured by a pledge of collateral (excluding obligations secured solely by intangibles) and has ordinary unsecured pre-petition priority in any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings.

"Spread Excess": As of any date of determination, the percentage (if positive) obtained by *multiplying*

(i) the excess, if any, of the Weighted Average Spread over 2.00% *by*

(ii) the number obtained by *dividing* (a) the Aggregate Principal Balance of the funded portions of all Floating Rate Obligations (excluding any Defaulted Security, any PIK Security, any Partial PIK Security to the extent of any non-cash interest and the unfunded portion of any Delayed Drawdown Debt Security, Revolving Collateral Debt Security or Synthetic Security) *by* (b) the Aggregate Principal Balance of all fixed rate Collateral Debt Securities (excluding any Defaulted Security, any PIK Security, any Partial PIK Security to the extent of any non-cash interest and the unfunded portion of any Delayed Drawdown Debt Security, Revolving Collateral Debt Security or Synthetic Security).

"Structured Finance Obligation": A non-recourse or limited-recourse obligation issued by a special purpose vehicle, secured solely by the assets thereof (including a mortgage-backed security, an asset-backed security, a collateralized debt obligation, a CDO of CDO Securities or a similar security), or the synthetic equivalent thereof; *provided, however*, that no Structured Finance Obligation acquired by the Issuer may be managed by the Collateral Manager and no Structured Finance Obligation may be a combination security or similar security.

"Structuring Fee Make Whole Amount": An amount equal to the discounted present values of the amounts that would, in the absence of the occurrence of the Maturity, have been paid to the Placement Agent as the Senior Deferred Structuring Fee if each payment thereof was made on each Payment Date on or prior to the Payment Date in July 2011, using as a discount rate 5.242% per annum.

"Subordinated Hedge Termination Payments": All amounts due to any Hedge Counterparty with respect to termination (or partial termination) of any Hedge Agreement in which the Hedge Counterparty is the sole "Defaulting Party" or the sole "Affected Party" (other than in the case of an "Illegality" or a "Tax Event" as defined in the Hedge Agreement).

"Subordinated Synthetic Security Termination Payments": All amounts due to any Synthetic Security Counterparty with respect to termination (or partial termination) of any Synthetic Security in which the Synthetic Security Counterparty is the sole "Defaulting Party" or the sole "Affected Party" (other than in the case of an "Illegality" or a "Tax Event" as defined in the Synthetic Security).

"Supermajority": With respect to any Class or Classes, the Holders of at least 66-2/3% of the Aggregate Outstanding Amount of the Securities of such Class or Classes, as the case may be. With respect to the Securities collectively, the Holders of at least 66-2/3% of the Aggregate Outstanding Amount of any Outstanding Notes (voting together as a single Class).

"Synthetic Letter of Credit": A facility whereby (i) a fronting bank ("**Agent Bank**") issues or will issue a letter of credit ("**LC**") for or on behalf of a borrower pursuant to an Underlying Instrument, (ii) in the event that the LC is drawn upon, and the borrower does not reimburse the Agent Bank, the lender/participant is obligated to fund its portion of the facility and (iii) the Agent Bank passes on (in whole or in part) the fees it receives for providing the LC to the lender/participant. The lender/participant may or may not be obligated to collateralize its funding obligations to the Agent Bank.

"Synthetic Security": Any U.S. Dollar denominated swap transaction, debt security, security issued by a trust or similar vehicle or other investment (including a Credit-Linked Obligation) purchased from or entered into by the Issuer with a Synthetic Security Counterparty, the returns on which (as determined by the Collateral Manager on behalf of the Issuer) are linked to the credit performance of one or more Reference Obligations, but which may provide for a different maturity, payment dates, interest rate, credit exposure or other credit or non-credit related characteristics than any such Reference Obligation; and that meets the following requirements:

(i) other than Credit-Linked Obligations or Form-Approved Synthetic Securities, it will not require the Issuer to make any payment (including any termination payment) to the Synthetic Security Counterparty after the initial purchase by the Issuer (other than the payments to the Synthetic Security Counterparty of any Synthetic Security Collateral);

(ii) its ownership will not subject the Issuer to net income tax or cause the Issuer to be treated as engaged in a United States trade or business;

(iii) all scheduled payments are at a fixed interest rate, are at a variable interest rate based on an interest rate used for borrowings or financings in domestic or international markets or are linked to the payments on one or more Reference Obligations (which payments are themselves at a fixed interest rate or a variable interest rate based on an interest rate used for borrowings or financings in domestic or international markets);

(iv) it will not constitute a commodity option, leverage transaction or futures contract that is subject to the jurisdiction of the U.S. Commodities Futures Trading Commission;

(v) its documentation will provide non-petition and limited recourse protection with respect to the Issuer;

(vi) Rating Agency Confirmation is received for the purchase of such Synthetic Security unless such Synthetic Security is a Form-Approved Synthetic Security;

(vii) any Credit Event thereunder is limited to either "bankruptcy" and/or "failure to pay";

(viii) if the Synthetic Security has a single Reference Obligation and such Reference Obligation is a Senior Secured Loan, the Deliverable Obligation must be a Senior Secured Loan that ranks at least *pari passu* with the Reference Obligation;

(ix) "Deliverable Obligation Category" may not include "Payment"; and

(x) it must require physical settlement or, at the option of the Collateral Manager, Cash settlement, except as otherwise provided in a Form-Approved Synthetic Security or other Synthetic Security that satisfies the definition of Collateral Debt Security (*provided* that Synthetic Securities providing for Cash settlement shall have Reference Obligations that are Senior Secured Loans and shall represent no more than 10% of the Principal Collateral Value).

For purposes of the Coverage Tests and the Interest Reinvestment Test the definition of Collateral Debt Security, and clauses (i), (ii), (iv), (v), (vi) and (vii) of the Portfolio Profile Test and the Collateral Quality Tests (other than the Moody's Diversity Test), a Synthetic Security shall be included as a Collateral Debt Security having the relevant characteristics of the Synthetic Security and not of any related Reference Obligation (*provided*, that the maturity of a Credit-Linked Obligation shall be the stated date of the final payment), unless the Collateral Manager on behalf of the Issuer determines otherwise and receives Rating Agency Confirmation.

For purposes of the Moody's Diversity Test and clauses (viii) through (x), (xii) through (xviii), (xix), (xx) and (xxii) of the Portfolio Profile Test, a Synthetic Security shall be included as a Collateral Debt Security having the relevant characteristics of the related Reference Obligation or Reference Obligations (and the issuer of such Synthetic Security shall be deemed to be the issuer of the related Reference Obligation) and not of the Synthetic Security, unless the Collateral Manager on behalf of the Issuer determines otherwise and receives Rating Agency Confirmation.

For purposes of the S&P Minimum Weighted Average Recovery Rate Test, the Moody's Minimum Weighted Average Recovery Rate Test and the Moody's Maximum Weighted Average Rating Factor Test, a Synthetic Security will be treated as described in the definitions of such terms.

The Moody's Default Probability Rating and the Moody's Rating of a Synthetic Security (including for purposes of clauses (iii) and (xi) of the Portfolio Profile Test) shall be the Moody's Rating of such Synthetic Security or, if such Synthetic Security is not rated by Moody's, the Moody's Rating assigned by Moody's upon the request of the Issuer or the Collateral Manager. For purposes of determining the S&P Rating of a Synthetic Security (including for purposes of clause (iii) and (xi) of the Portfolio Profile Test), the Synthetic Security shall be deemed to have a rating equal to the S&P rating of such Synthetic Security or, if such Synthetic Security is not rated by S&P, the S&P Rating thereof as may be assigned by S&P upon the request of the Issuer or the Collateral Manager.

The interest rate or coupon of a fixed rate Synthetic Security shall be a fraction, expressed as a percentage and annualized, the numerator of which is the current stated periodic payments scheduled to be received by the Issuer from the related Synthetic Security Counterparty (including any payments to be received by the Issuer on Synthetic Security Collateral or under a related derivative transaction) and the denominator of which is the notional balance of such Synthetic Security. The interest rate or spread of a floating rate Synthetic Security shall be a fraction, expressed as a percentage and annualized, the numerator of which is the current stated periodic spread over LIBOR scheduled to be received by the Issuer from the related Synthetic Security Counterparty (including any payments to be received by the Issuer on Synthetic Security Collateral or under a related derivative transaction) and the denominator of

which is the notional balance of such Synthetic Security. A Credit-Linked Obligation in the form of a credit default swap shall be treated as a Floating Rate Obligation with a spread equal to the fixed rate payable by the Synthetic Security Counterparty.

"Synthetic Security Collateral": With respect to any Synthetic Security, collateral required to be acquired or transferred, or specified rights of the Issuer under such Synthetic Security required to be assigned, by the Issuer to secure the payment obligations of the Issuer to a Synthetic Security Counterparty under such Synthetic Security and that must be applied in accordance with the terms of such Synthetic Security. Each item of Synthetic Security Collateral shall either be (a) an Eligible Investment maturing on the next Business Day or (b) a security rated "Aa2" or "P-1" by Moody's and "AA" or at least "A-1" by S&P (which security either matures on the next Business Day or is subject to a total return swap or other derivative instrument pursuant to which the counterparty accepts the risk of a market value change in such security; *provided* that Rating Agency Confirmation has been received with respect to such total return swap or other derivative instrument); *provided* that, for the avoidance of doubt in the case of (b), such collateral shall meet the investment guidelines contained in Exhibit A of the Collateral Management Agreement.

"Synthetic Security Counterparty": Any entity (other than the Issuer) (a) required to make payments on a Synthetic Security (including any guarantor) or (b) in the case of a Synthetic Security that represents an ownership interest in debt obligations of a special purpose vehicle, required to make payments to such special purpose vehicle.

"Target Par Amount": U.S.\$401,000,000.

"Tax": Any present or future tax, levy, impost, duty, charge, assessment, deduction, withholding or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority other than a stamp, registration, documentation or similar tax.

"Tax Event": Any new, or change in any, U.S. or foreign tax statute, treaty, regulation, rule, ruling, practice, procedure or judicial decision or interpretation arising after the Closing Date which results in, or will result in, the imposition of net income tax on the Issuer or any portion of any payment due from any issuer or obligor under any Collateral Debt Security or from any Hedge Counterparty becoming properly subject to the imposition of U.S. or foreign withholding tax (other than withholding taxes with respect to commitment fees or similar fees associated with Collateral Debt Securities constituting Revolving Collateral Debt Securities, Delayed Drawdown Debt Securities, Synthetic Letters of Credit or non-fully funded facilities), which withholding tax is not required to be compensated for by a "gross up" provision under the terms of the Collateral Debt Securities, and such a tax or taxes amounts, in the aggregate, to 5% or more of the aggregate interest payments for the related Due Period on all of the Collateral Debt Securities during the related Due Period.

"Tax Ineligible Equity Security": For U.S. Federal income tax purposes, (a) any equity in a pass-through entity such as a partnership or trust where such pass-through entity is engaged in a trade or business in the United States or (b) any interest (other than an interest solely as a

creditor) in a United States real property holding corporation subject to tax under Sections 897 and 1445 of the Code.

"Tax Jurisdiction": Any sovereign jurisdiction that is commonly used as the place of organization of special purpose vehicles (including, by way of example, the Cayman Islands, Bermuda, the Netherlands Antilles and the Channel Islands).

"Underlying Instrument": The loan agreement, credit agreement, indenture or other agreement pursuant to which a Collateral Debt Security has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Collateral Debt Security or of which the holders of such Collateral Debt Security are the beneficiaries.

"Unused Proceeds": That portion of the net proceeds on the Closing Date that was not deposited in the Expense Reserve Account, the Synthetic Security Reserve Account or the Revolver Funding Account on the Closing Date or used to pay the purchase price of the Collateral Debt Securities purchased on or prior to the Closing Date.

"U.S. Person": For purposes of the sections on "Plan of Distribution," "Form, Denomination and Registration" and "Transfer Restrictions," a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, an estate that is subject to United States Federal income tax regardless of the source of its income, or a trust if a court within the United States is able to exercise primary supervision of the administration of the trust and one or more U.S. Persons have the authority to control all substantial decisions of the trust.

"Warehouse Accrued Interest": Interest accrued but unpaid on the Collateral Debt Securities prior to the Closing Date that is owed by the Issuer to the Placement Agent with respect to the obligations the purchase of which by the Issuer was financed under the Warehouse Agreement, whether or not such interest is received by the Issuer.

"Weighted Average Coupon": As of any date of determination, a rate equal to a fraction (expressed as a percentage) obtained by (i) multiplying the Principal Balance of each fixed rate Collateral Debt Security (excluding any Defaulted Security, any PIK Security, any Partial PIK Security to the extent of any non-cash interest and the unfunded portion of any Delayed Drawdown Debt Security, Revolving Collateral Debt Security or Synthetic Security) as of such date by the current per annum rate at which it pays interest, (ii) summing the amounts determined pursuant to clause (i) for all such fixed rate Collateral Debt Securities as of such date, and (iii) dividing such sum by the Aggregate Principal Balance of all such fixed rate Collateral Debt Securities as of such date. If the Weighted Average Coupon as of any date of determination determined as provided above is less than 8.5%, an amount equal to the Spread Excess, if any, as of such date will be added to clause (i) of the Weighted Average Coupon to the extent necessary to cause the Weighted Average Coupon to equal 8.5%.

"Weighted Average Coupon Test": A test that is satisfied, as of any date of determination, if the Weighted Average Coupon equals or exceeds 8.5%.

"Weighted Average Life": As of any date of determination, the number obtained for the Collateral Debt Securities other than Defaulted Securities by (i) summing the products obtained by multiplying each scheduled principal payment for each such Collateral Debt Security by the remaining number of years (rounded to the nearest hundredth of a year) until such scheduled principal payment is due or until the final maturity of such Collateral Debt Security, (ii) summing all of the products calculated pursuant to clause (i) and (iii) dividing such sum calculated pursuant to clause (ii) by the total of all scheduled principal payments due on all such Collateral Debt Securities.

"Weighted Average Life Test": A test that will be satisfied on any date of determination, if the Weighted Average Lives of all Collateral Debt Securities (other than Defaulted Securities) is less than or equal to (A) 10 years minus (B)(1) the number of days that have elapsed since the Effective Date divided by (2) 365.

"Weighted Average Spread": As of any date of determination, the number obtained by dividing:

(i) (A) the Aggregate Funded Spread (with respect to all Floating Rate Obligations that are not Purchased Discount Obligations) plus (B) in the case of all Purchased Discount Obligations, the Discount-Adjusted Spread, plus (C) the Aggregate Unfunded Spread plus (D) the Aggregate Excess Funded Spread minus (E) 0.25% multiplied by the Aggregate Unfunded Commitment Amount,

by

(ii) the Aggregate Principal Balance of all of the Floating Rate Obligations (excluding Defaulted Securities).

If as of any date of determination the Weighted Average Spread Test is not satisfied, an amount equal to the Coupon Excess, if any, as of such date will be added to clause (i) of the Weighted Average Spread to the extent necessary to cause the Weighted Average Spread Test to be satisfied.

"Weighted Average Spread Test": A test that is satisfied as of the Effective Date and any subsequent date of determination if both the Moody's Weighted Average Spread Test and the S&P Minimum Weighted Average Spread Test are satisfied as of such date.

"Written Down Amount": As of any date of determination with respect to any Written Down Obligation, the *pro rata* share for such Written Down Obligation (based on its principal amount relative to the aggregate principal amount of all other securities secured by the same pool of collateral that rank *pari passu* with the applicable Structured Finance Obligation) of the excess of the aggregate principal amount or certificate balance (excluding accrued or capitalized interest) of the applicable Structured Finance Obligation and all other securities secured by the same pool of collateral that rank *pari passu* with or senior in priority of payment to such Structured Finance Obligation over the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such securities (excluding defaulted collateral that has been charged off), as determined by the Collateral

Manager using customary procedures and information available in the servicer reports received by the Collateral Manager relating to the applicable Structured Finance Obligation.

"Written Down Obligation": Any Structured Finance Obligation (other than a Defaulted Security, a PIK Security, a Partial PIK Security or a Discount Obligation) as to which the aggregate par amount of such Structured Finance Obligation and all other securities secured by the same pool of collateral that rank *pari passu* with or senior in priority of payment to such Structured Finance Obligation exceeds the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such securities (excluding defaulted collateral which has been charged off) as determined by the Collateral Manager using customary procedures and information available in the servicer reports received by the Collateral Manager relating to such Written Down Obligation.

"Zero Coupon Security": Any Collateral Debt Security that at the time of purchase does not by its terms provide for the payment of cash interest; *provided* that if, after such purchase, such Collateral Debt Security provides for the payment of cash interest it shall cease to be a Zero Coupon Security.

INDEX OF CERTAIN DEFINED TERMS

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PART II OF FORM ADV

OMB APPROVAL	
OMB Number:	3235-0049
Expires:	July 31, 2008
Estimated average burden hours per response.....	9.402

FORM ADV

Uniform Application for Investment Adviser Registration

Part II – Page 1

Name of Investment Adviser: Symphony Asset Management LLC						
Address:	(Number and Street)	(City)	(State)	(Zip Code)	Area Code:	Telephone Number:
	555 California Street, Suite 2975	San Francisco, CA		94104	(415)	676-4000

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.
The information has not been approved or verified by any governmental authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

1. A. **Advisory Services and Fees.** (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

- (1) Provides investment supervisory services 100%
- (2) Manages investment advisory accounts not involving investment supervisory services..... 0%
- (3) Furnishes investment advice through consultations not included in either service described above.....0%
- (4) Issues periodicals about securities by subscription 0%
- (5) Issues special reports about securities not included in any service described above..... 0%
- (6) Issues, not as a part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities 0%
- (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities.....0%
- (8) Provides a timing service 0%
- (9) Furnishes advice about securities in any manner not described above..... 0%

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? Yes No

C. Applicant offers investment advisory services for: (check all that apply)

- (1) A percentage of assets under management (4) Subscription fees
- (2) Hourly charges (5) Commissions
- (3) Fixed fees (not including subscription fees) (6) Other

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. **Types of Clients** - Applicant generally provides investment advice to: (check those that apply)

- A. Individuals E. Trusts, estates, or charitable organizations
- B. Banks or thrift institutions F. Corporations or business entities other than those listed above
- C. Investment companies G. Other (describe on Schedule F)
- D. Pension and profit sharing plans

3. **Types of Investments.** Applicant offers advice on the following (check those that apply):

<p>A. Equity Securities</p> <p><input checked="" type="checkbox"/> (1) exchange-listed securities</p> <p><input checked="" type="checkbox"/> (2) securities traded over-the-counter</p> <p><input checked="" type="checkbox"/> (3) foreign issuers</p> <p><input checked="" type="checkbox"/> B. Warrants</p> <p><input checked="" type="checkbox"/> C. Corporate Debt Securities (other than commercial paper)</p> <p><input type="checkbox"/> D. Commercial paper</p> <p><input type="checkbox"/> E. Certificates of deposit</p> <p><input type="checkbox"/> F. Municipal Securities</p> <p>G. Investment company securities:</p> <p><input type="checkbox"/> (1) variable life insurance</p> <p><input type="checkbox"/> (2) variable annuities</p> <p><input checked="" type="checkbox"/> (3) mutual fund shares</p>	<p><input checked="" type="checkbox"/> H. United States government securities</p> <p>I. Options contracts on:</p> <p><input checked="" type="checkbox"/> (1) securities</p> <p><input type="checkbox"/> (2) commodities</p> <p>J. Future contracts on:</p> <p><input type="checkbox"/> (1) tangibles</p> <p><input checked="" type="checkbox"/> (2) intangibles</p> <p>K. Interests in partnerships investing in:</p> <p><input type="checkbox"/> (1) real estate</p> <p><input type="checkbox"/> (2) oil and gas interests</p> <p><input checked="" type="checkbox"/> (3) other (explain in Schedule F)</p> <p><input type="checkbox"/> L. Other (explain in Schedule F)</p>
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4. **Methods of Analysis, Sources of Information and Investment Strategies**

A. Applicant's security analysis methods include: (check those that apply)

<p>(1) <input type="checkbox"/> Charting</p> <p>(2) <input checked="" type="checkbox"/> Fundamental</p> <p>(3) <input checked="" type="checkbox"/> Technical</p>	<p>(4) <input type="checkbox"/> Cyclical</p> <p>(5) <input checked="" type="checkbox"/> Other (explain in Schedule F)</p>
--	---

B. The main sources of information applicant uses include: (check those that apply)

<p>(1) <input checked="" type="checkbox"/> Financial newspapers and magazines</p> <p>(2) <input checked="" type="checkbox"/> Inspections of corporate activities</p> <p>(3) <input checked="" type="checkbox"/> Research materials prepared by others</p> <p>(4) <input checked="" type="checkbox"/> Corporate rating services</p>	<p>(5) <input type="checkbox"/> Timing services</p> <p>(6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission</p> <p>(7) <input checked="" type="checkbox"/> Company press releases</p> <p>(8) <input checked="" type="checkbox"/> Other (explain in Schedule F)</p>
--	---

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

<p>(1) <input checked="" type="checkbox"/> Long-term purchases (securities held at least a year)</p> <p>(2) <input checked="" type="checkbox"/> Short-term purchases (securities sold within a year)</p> <p>(3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)</p> <p>(4) <input checked="" type="checkbox"/> Short sales</p>	<p>(5) <input checked="" type="checkbox"/> Margin transactions</p> <p>(6) <input checked="" type="checkbox"/> Option writing, including covered options, uncovered options or spreading strategies</p> <p>(7) <input type="checkbox"/> Other (explain in Schedule F)</p>
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FORM ADV Part II - Page 4	Applicant: Symphony Asset Management LLC	SEC File Number: 801-63941	Date: March 15, 2007
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5. **Education and Business Standards.**
 Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?..... Yes No
 (If yes, describe these standards on Schedule F.)

6. **Education and Business Background.**
 For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- year of birth
- formal education after high school
- business background for the preceding five years

7. **Other Business Activities.** (check those that apply)

A. Applicant is actively engaged in a business other than giving investment advice.

B. Applicant sells products or services other than investment advice to clients.

C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. **Other Financial Industry Activities or Affiliations.** (check those that apply)

A. Applicant is registered (or has an application pending) as a securities broker-dealer.

B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading advisor.

C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:

<input checked="" type="checkbox"/> (1) broker-dealer	<input type="checkbox"/> (7) accounting firm
<input checked="" type="checkbox"/> (2) investment company	<input type="checkbox"/> (8) law firm
<input checked="" type="checkbox"/> (3) other investment adviser	<input type="checkbox"/> (9) insurance company or agency
<input type="checkbox"/> (4) financial planning firm	<input type="checkbox"/> (10) pension consultant
<input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant	<input type="checkbox"/> (11) real estate broker or dealer
<input type="checkbox"/> (6) banking or thrift institution	<input type="checkbox"/> (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? Yes No
 (If yes, describe on Schedule F the partnerships and what they invest in.)

FORM ADV Part II - Page 5	Applicant: Symphony Asset Management LLC	SEC File Number: 801-63941	Date: March 15, 2007
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9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? Yes No

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

See Schedule F, Item 11.A

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

See Schedule F, Item 11.B

12. Investment or Brokerage Discretion.

A. Does applicant or any related persons have authority to determine, without obtaining specific client consent, the:

(1) securities to be bought or sold?.....	Yes	No
	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(2) amount of the securities to be bought or sold?.....	Yes	No
	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(3) broker or dealer to be used?	Yes	No
	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(4) commission rates paid?.....	Yes	No
	<input checked="" type="checkbox"/>	<input type="checkbox"/>

B. Does applicant or a related person suggest brokers to clients?..... Yes No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? Yes No

B. directly or indirectly compensates any person for client referrals?..... Yes No

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities; or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet?..... Yes No

Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Symphony Asset Management LLC	SEC File Number: 801-63941	Date: 03-15-2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Nuveen Asset Management Inc.	IRS Empl. Ident. No.: 94-3252504
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Item of Form (identify)	Answer
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Item 1.D	<p><u>Investment Advisory Services and Fees</u></p> <p>Symphony Asset Management LLC (“Symphony”) is an investment adviser registered with the Securities and Exchange Commission (the “SEC”). Symphony is a part of the Nuveen Investments, Inc. (“Nuveen”) family of investment advisers. Symphony provides investment advisory services to its clients through specialized quantitative investment services that focus on providing performance in excess of market benchmarks while controlling tracking error (residual risk) against such benchmarks. Symphony manages client accounts on a discretionary basis.</p> <p>Separate Account Clients:</p> <p>Symphony generally receives from each separate account client a standard quarterly fee, payable in arrears, ranging from one percent (1%) to one and one-half percent (1.5%), on an annualized basis, of the client’s total assets under Symphony’s management. Fees may be negotiable depending on the circumstances of the client’s account, service levels to clients, or as otherwise negotiated with particular clients. Symphony, in determining its fees, may give consideration to certain services provided by the custodian including, but not limited to, automatic downloads of client data and client servicing support.</p> <p>Symphony may also charge certain separate account clients a performance fee, in compliance with Rule 205-3 promulgated under the Investment Advisers Act of 1940 (the “Advisers Act”), as amended, and all applicable federal and/or state laws relating to such a performance fee. Unless different terms are negotiated, the performance fee will contain the same economic terms as the performance fee arrangement for the private investment funds described below. Such performance fees may be negotiable depending on the circumstance of the separate account client’s account.</p> <p>A client’s advisory agreement may generally be terminated by (a) the client at any time upon written notice to Symphony or (b) by Symphony upon 30 days’ written notice to a client. However, different termination provisions may be negotiated.</p> <p>Private Investment Funds:</p> <p>Symphony serves as general partner for a number of private investment funds which are generally organized as limited partnerships. Symphony provides investment advisory services to these on-shore investment partnerships (“Investment Partnerships”) as well as to offshore private investment funds (“Offshore Funds”). Symphony receives a management fee equal to 1% (on an annualized basis) of the net asset value of each limited partner’s (“Partner”) capital account in the Investment Partnerships and the net asset value of the Offshore Funds.</p> <p>For the Investment Partnerships, the management fee is payable in advance, at the beginning of each fiscal quarter or monthly, and is based on the net asset value of each Partner’s capital account on the first day of such fiscal quarter or monthly. A Partner</p>
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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Symphony Asset Management LLC	SEC File Number: 801-63941	Date: 03-15-2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Nuveen Asset Management Inc.	IRS Empl. Ident. No.: 94-3252504
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Item of Form (identify)	Answer
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Item 1.D (cont.)	<p>who is permitted to contribute capital to the investment partnership on a date other than the first day of a fiscal quarter or monthly will be charged a pro-rated management fee with respect to such capital contribution. For the Offshore Funds, the management fee is payable monthly in arrears based on the net asset value of the Offshore Fund on the last day of each calendar month, before deduction or accrual of the management and performance fees.</p> <p>Symphony receives from each Investment Partnership an annual performance-based profit allocation and from each Offshore Fund an annual performance fee. The performance allocations and fees equal twenty percent of the amount by which the profits (including unrealized gains and losses) otherwise allocable to an investor in one of those funds exceeds the losses allocated to that investor in prior periods that have not been recouped. Some Investment Partnerships, however, pay to Symphony an annual performance fee of ten percent of the amount by which the return in each limited partner's capital account exceeds the return of a benchmark index. For Investment Partnerships the performance allocation with respect to a limited partner is made, initially at the end of the fiscal quarter in which the first anniversary of that limited partner's initial investment in that Investment Partnership occurs and, thereafter, at the end of each subsequent twelve-month period. The Offshore Funds pay to Symphony a performance fee on each December 31.</p> <p>Additionally, if an investor withdraws from an Investment Partnership or redeems from an Offshore Fund, Symphony receives a performance allocation or performance fee, as applicable, with respect to the amount withdrawn or redeemed, except that, for certain Investment Partnerships, an investor that withdraws from that Investment Partnership before the first anniversary of that investor's initial investment in that Partnership, Symphony is paid a fee equal to one percent of the amount withdrawn, instead of receiving a performance allocation with respect to the amount withdrawn.</p> <p>A Partner may, on a least thirty days' prior notice to Symphony, withdraw all or part of such Partner's capital account in an amount not less than \$100,000 as of the last day of any fiscal quarter that occurs on or after the date immediately preceding the first anniversary of such Partner's admission to the investment partnership. Symphony may suspend the right of withdrawal under extraordinary circumstances. Symphony, in its discretion, may waive the notice period or permit withdrawals at other times and in other amounts. If a Partner withdraws from the investment partnership other than at the end of a fiscal quarter, the Partner will not be refunded any portion of the management fee for that quarter.</p> <p>Some private funds to which Symphony provides investment advice may be organized as limited liability companies. The fee arrangements and limitations on investor withdrawals for these other private funds are similar to those of the investment limited partnerships. Symphony may or may not serve as the managing member of these private funds.</p>
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Nuveen Asset Management Inc.	IRS Empl. Ident. No.: 94-3252504
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Item of Form (identify)	Answer
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Item 1.D (cont.)	<p>Investment Company Clients:</p> <p>Symphony may also provide investment advisory services to certain investment company clients, usually as sub-adviser to a specific portfolio. Fees paid by investment company clients are negotiable. Symphony will usually charge a management fee payable monthly in arrears. The management fees will either be based upon a flat rate (usually less than 1% on an annualized basis) or may be a graduated fee based upon the level of assets under management. Sub-advisory fees charged by Symphony are usually negotiated with the Adviser such that a portion of the Advisers' fees are payable to Symphony for management of specific portfolios of an investment company.</p> <p>The termination provisions for investment company clients are negotiable and comply with relevant provisions of the Investment Company Act of 1940 ("Investment Company Act").</p> <p>Wrap Programs:</p> <p>In addition to the services described above, Symphony also participates in wrap fee programs sponsored by broker-dealers and other companies in the financial services industry. Symphony provides portfolio management services to clients who select Symphony as an investment adviser for all or a portion of their wrap program assets. Symphony provides its advisory services to wrap programs in conjunction with its parent company.</p> <p>Clients or prospective clients, who are interested in obtaining more information about Symphony's advisory services to wrap program clients, may request a copy of the version of Symphony's Form ADV Part II, which has been prepared specifically for wrap program clients.</p> <p>Proxy Voting Policy Disclosure:</p> <p>Symphony uses the proxy voting services of Institutional Shareholder Services ("ISS"). The ISS Proxy Voting Services provide Symphony and its clients with an independent source of proxy voting research and services. The use of ISS is designed to offer client-centered proxy voting which minimizes conflicts of interests between Symphony's interests and those of its clients.</p> <p>In order to monitor how ISS votes client proxies, Symphony has established a Proxy Voting Review Committee (the "Committee"). The Committee is composed of Symphony's Chief Operating Officer and its Chief Investment Officer. Each year, the Committee reviews ISS proxy voting policies and practices to determine whether such policies and practices are consistent with Symphony's fiduciary duty to the clients for whom Symphony is responsible for voting proxies. During the year, the Committee reviews how ISS votes on specific issues. From time to time, the Committee discusses the proxy voting process with representatives of ISS in order to ensure that Symphony's client interests are being protected. When Symphony disagrees with ISS' policies with</p>
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Item of Form (identify)	Answer
Item 1.D (cont.)	<p>respect to certain issues, Symphony will direct the voting of its clients' proxies according to what Symphony believes is the best interests of its clients.</p> <p>Clients who have questions about how particular proxies are voted for their account may request such information from Symphony by calling (800) 847-6369.</p> <p>Proxy voting for Symphony's wrap program client accounts are currently handled differently; as disclosed in Symphony's wrap program version of its Form ADV Part II.</p> <p>Legal Actions:</p> <p>Symphony is under no obligation to advise or act for clients in legal proceedings including, but not limited to, bankruptcies and class actions involving securities purchased or held in client accounts. For Program clients, Nuveen Investment Operations, on behalf of Symphony, generally notifies or transmits copies of legal materials it receives to the program sponsors on behalf of clients, client custodians or other client representatives that are known to Symphony. In certain situations, Symphony may opt to send notices directly to clients. Although not required to do so, Symphony may provide administrative assistance, as is feasible, given the circumstances surrounding the legal action.</p>
Item 2.G	<p><u>Other Types of Clients</u></p> <p>As described in Item 1.D. above, Symphony provides investment advice to private investment funds, including investment limited partnerships.</p>
Item 3.K	<p><u>Other Types of Investments</u></p> <p>As described in Item 1.D. above, Symphony serves as the general partner and/or investment adviser to a number of private investment funds. The private investment funds invest in equity and fixed income securities.</p>
Items 4.A & 4.B	<p><u>Methods of Analysis and Sources of Information</u></p> <p>In addition to the items listed in the "check the box" portion of Form ADV Part II and in Item 1.D, above, Symphony also uses various data sources and propriety computerized models in the provision of its advisory services.</p>
Item 5	<p><u>Education and Business Standards</u></p> <p>Symphony requires all employees involved in determining or giving investment advice to hold a graduate degree in a business-related field with a major in economics, accounting, statistics, investment research or a similar discipline. In some cases, previous experience of three years or more in the investment business may be substituted for a graduate degree.</p>

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Item 6	<p><u>Education and Business Background</u></p> <p>Symphony's Management Team:</p> <p>Name: Jeffrey L. Skelton Year of Birth: 1949 Education: B.S., Georgia Institute of Technology M.B.A., Financial Economics, University of Chicago Ph.D., Mathematical Economics, University of Chicago</p> <p>Background: Manager, NetNet Ventures, LLC President & CEO, Symphony Asset Management, LLC Managing Director, Darien Fund Management Company L.L.C. Director, President & CEO, Symphony Asset Management, Inc. President, BARRA Ventures Div., BARRA, Inc. President - WFNIA Europe Executive Vice President, Vice Chairman, Wells Fargo Nikko Investment Advisors</p> <p>Name: Neil L. Rudolph Year of Birth: 1954 Education: Bachelor of Commerce, Accounting/Finance, McMaster University Certified Public Accountant, California Chartered Accountant, Ontario, Canada</p> <p>Background: Manager, NetNet Ventures, LLC COO/CFO Symphony Asset Management LLC Managing Director, Darien Fund Management Company, L.L.C. COO/CCO, Symphony Asset Management, Inc. Managing Director & COO - Mutual Fund Group, WFNIA Executive Vice President, Senior Vice President, & Chief Financial Officer, Wells Fargo Nikko Investment Advisors</p> <p>Name: Praveen K. Gottipalli Year of Birth: 1960 Education: B.Tech., Chemical Engineering, Indian Institute of Technology M. S., Chemical Engineering, Rensselaer Polytechnic Institute M.B.A., Business Management, Rensselaer Polytechnic Institute</p> <p>Background: Portfolio Manager & Manager, NetNet Ventures, LLC Vice President, Director of Investments, Symphony Asset Management LLC Director of Investments, Symphony Asset Management, Inc. Financial Analyst, BARRA, Inc. (and its predecessors)</p>
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Item 6 (cont.)	<p>Name: Michael J. Henman Year of Birth: 1949 Education: B.A., Business, Bowling Green State University M.B.A., Finance, George Washington University Background: Manager, NetNet Ventures, LLC Vice President; Director of Business Development, Symphony Asset Management LLC Board Secretary; Director of Business Development Symphony Asset Management, Inc. Managing Director, Wells Fargo Nikko Investment Advisors</p> <p>Name: Gunther M. Stein Year of Birth: 1963 Education: B.A., Economics, U.C. Berkeley M.B.A., University of Texas Background: Director, Fixed Income Strategies, Symphony Asset Management LLC Portfolio Manager, Nuveen Senior Loan Asset Management LLC Vice President, Nuveen Institutional Advisory Corp. Portfolio Manager, Symphony Asset Management LLC Portfolio Manager/Broker, Wells Fargo Bank Banking, Standard Chartered Bank Euro Currency Trader, First Interstate Bank</p> <p>Symphony's Portfolio Management Team:</p> <p>Name: Scott Clinton Caraher Year of Birth: 1976 Education: B.S., Business Administration, Georgetown University, Background: Associate Portfolio Manager, Symphony Asset Management LLC Investment Banking Corporate Finance Analyst, Deutsche Banc</p> <p>Name: Craig A. Carnathan Year of Birth: 1956 Education: A.A., Business, Diablo Valley College B.A./M.S., Business Economics/Finance, Golden Gate University Background: Portfolio Manager, Symphony Asset Management LLC Portfolio Manager, Symphony Asset Management, Inc. Consultant, BARRA, Inc.</p>
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Item 6 (cont.)	<p>Name: Vincent Chan Year of Birth: 1965 Education: B.S., Computer Science/Math, University of Washington M.B.A., Business, U.C. Berkeley Background: Portfolio Manager, Symphony Asset Management LLC Quantitative Analyst, Goldman Sachs Asia Portfolio Manager, Symphony Asset Management LLC Portfolio Manager, Symphony Asset Management, Inc. Consultant, BARRA, Inc.</p> <p>Name: Praveen K. Gottipalli Year of Birth: 1960 Education: B.Tech., Chemical Engineering, Indian Institute of Technology M. S., Chemical Engineering, Rensselaer Polytechnic Institute M.B.A., Business Management, Rensselaer Polytechnic Institute Background: Portfolio Manager & Manager, NetNet Ventures, LLC Vice President, Director of Investments, Symphony Asset Management LLC Director of Investments, Symphony Asset Management, Inc. Financial Analyst, BARRA, Inc. (and its predecessors)</p> <p>Name: Lenny L. Mason Year of Birth: 1964 Education: B.S., Accounting, Babson College M.B.A., Finance, University of Chicago GSB Certified Public Accountant, California Background: Vice President, Nuveen Institutional Advisory Corp. Portfolio Manager, Nuveen Senior Loan Asset Management, Inc. Portfolio Manager, Symphony Asset Management LLC Managing Director, Fleet Bank Assistant Vice President, Wells Fargo Bank Auditor, Coopers & Lybrand</p> <p>Name: Jenny Young Rhee Year of Birth: 1977 Education: B.S., Business Administration, University of California, Berkeley Background: Associate Portfolio Manager, Symphony Asset Management, LLC Analyst, Symphony Asset Management, LLC Credit analyst, Symphony Asset Management, LLC Analyst, Epoch Partners</p>
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Item 6 (cont.)

Name: Gunther M. Stein
Year of Birth: 1963
Education: B.A., Economics, U.C. Berkeley
M.B.A., University of Texas
Background: Director, Fixed Income Strategies, Symphony Asset Management LLC
Portfolio Manager, Nuveen Senior Loan Asset Management LLC
Vice President, Nuveen Institutional Advisory Corp.
Portfolio Manager, Symphony Asset Management LLC
Portfolio Manager/Broker, Wells Fargo Bank
Banking, Standard Chartered Bank
Euro Currency Trader, First Interstate Bank

Name: David T. Wang
Year of Birth: 1969
Education: B.S., Chemical Engineering, Tamkang University
M.B.A., University of Illinois
Background: Portfolio Manager, Symphony Asset Management LLC
Portfolio Manager, Symphony Asset Management, Inc.
Programmer/Analyst, BARRA, Inc.

Item 8.C

Financial Industry Activities and Affiliations

Symphony is owned directly and indirectly by Nuveen Investments, Inc. (“Nuveen”), a publicly traded company. Through Nuveen’s ownership, Symphony is a related party of the following investment advisers that are registered with the SEC: Nuveen Asset Management; Nuveen Investment Advisers Inc.; NWQ Investment Management Company, LLC; Nuveen Investments Institutional Services Group LLC; Rittenhouse Asset Management, Inc.; Santa Barbara Asset Management and HydePark Investment Strategies, LLC.

Symphony is the related party of two additional investment advisers, Nuveen Investments Canada Co., a Canadian mutual fund dealer in Ontario, Canada, and Nuveen Asia Investments, Inc., which pursues select business opportunities in Asia. Symphony is also affiliated with Nuveen Commodities Asset Management, LLC, a commodity pool operator and a commodity trading advisor, with Nuveen Investment Holdings, Inc., a holding company, and with Richards & Tierney, Inc. a specialized risk control and portfolio advisory services consultant. Symphony’s arrangements with its affiliates may or may not be material to its advisory business at any particular time.

Through its Nuveen ownership, Symphony is also a related party of Nuveen Investments, LLC, a broker-dealer registered with the SEC, the NASD and state securities agencies. Symphony owns 49% of NetNet Ventures, LLC (“NetNet”), which is the general partner of a California venture capital fund. NetNet is currently exempt from registration as an

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Item 8.C (cont.)

investment adviser under both California and federal securities laws and rules.

Symphony serves as sub-adviser to a number of Nuveen’s investment companies registered under the Investment Company Act (“Registered Funds”), which are also related parties of Symphony since Symphony and the Registered Funds are under common control due to their relationships with Nuveen. To the extent that a client or prospective client of Symphony invests in a Nuveen Registered Fund or private fund advised by Symphony’s affiliated advisers, such client or prospective client, as a shareholder or investor in such fund, would bear its proportionate shares of the fees and expenses paid to Symphony’s affiliated advisers.

Further, certain of Symphony’s portfolio managers may also serve as portfolio managers or analysts to certain Registered Funds that are advised by a related party of Symphony. Symphony’s employees would serve as portfolio managers or analysts to the registered investment company(ies) under a service agreement between the related party investment adviser, Symphony and the employees. Occasionally, these portfolio managers and analysts may come into possession of non-public trade information in their roles with the related party investment adviser. In these instances, under federal securities laws and Symphony’s insider trading policy, no information may be used by any employee of Symphony for either client or personal investments.

Symphony has arrangements with certain of its affiliates under which one or more of its affiliates may provide administrative, marketing, educational and/or other services for Symphony or its wrap program clients. For example, an affiliate, Nuveen Investments Operations, a division of Nuveen Investments Holdings, Inc., provides administrative services in connection with each of the wrap programs in which Symphony participates.

Item 8.D and 9.D

Private Investment Funds

Symphony serves as general partner and/or investment adviser to a number of private investment funds that are generally organized as limited partnerships (“Investment Partnerships”) or offshore private investment funds (“Offshore Funds”).

Symphony makes the opportunity to invest in its Investment Partnerships and Offshore Funds available to its separate account clients who are eligible to invest in them, in addition to soliciting other persons who Symphony has reason to believe would qualify as investors in private investment funds. Symphony does not use its investment discretion to place separate account client assets in Symphony’s Investment Partnerships or Offshore Funds. Such clients are required to complete subscription agreements and qualify for such investments.

Symphony’s affiliate, NetNet, also serves as the general partner to an investment partnership, but at this time has no separately managed client accounts. In addition, the investment partnership, a venture capital fund, is not defined as a “private fund” under current SEC rules.

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Item 9.E	<p><u>Personal Trading Policies</u></p> <p>Symphony has adopted a policy of generally discouraging its employees from investing in individual securities for their personal accounts. Symphony’s management team members believe that restricting employee trading is one way of avoiding conflicts of interests between Symphony’s clients and its employees. Symphony’s personal trading policies are part of its Code of Ethics and Reporting Requirements which the firm adopted in accordance with Securities and Exchange Commission (“SEC”) Investment Advisor Code of Ethics Rule 204A-1. Under Symphony’s personal trading policies, officers, directors and employees of Symphony (collectively, the “Employees”) are generally prohibited from new purchases of publicly-traded securities for their personal accounts. The policies allow Employees to continue to hold publicly-traded securities owned prior to the adoption of the policy or prior to their employment by Symphony (for new Employees), and requires prior written approval of sales of such prior owned publicly-traded securities.</p> <p>Personal transactions in exchange-traded funds (“ETFs”) and publicly-traded securities issued by Symphony’s affiliate, Nuveen, are exempt from the prohibition. However, transactions in Nuveen securities require prior written approval and are subject to restraints of federal securities laws as well as Nuveen’s personal trading policies. Furthermore, as required by SEC rules, Employees are required to report their transactions in all Registered Fund shares that are advised or sub-advised by Symphony. For more information on Symphony’s personal trading policies, clients and prospective clients may obtain a copy of Symphony’s Code of Ethics and Reporting Requirements by contacting Symphony.</p> <p>Certain Employees of Symphony serve as portfolio managers for the Registered Funds, either as joint employees of affiliates of Symphony or as Employees of Symphony when Symphony acts as a sub-adviser to the Registered Funds. These Employees are also covered by the Code of Ethics that has been adopted by the Boards of Directors of the Registered Funds.</p> <p>Symphony Employees are permitted to invest in the Private Funds that are managed by Symphony, subject to qualification and the approval of Symphony’s Chief Operating Officer. Symphony has adopted personal trading policies and procedures to prevent Employees from trading on inside information concerning the Private Funds.</p>
Item 10	<p><u>Conditions for Managing Accounts</u></p> <p>Separate Account Clients:</p> <p>To reduce risk, Symphony’s portfolio construction technique generally requires a large number of securities. Accordingly, Symphony requires a minimum value for separate account assets under management of \$25,000,000. This minimum may be negotiable if client circumstances and Symphony’s investment strategies so dictate. Symphony, in</p>

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Item 10 (cont.)	determining its minimum acceptable account, may give consideration to arrangements with other financial service providers to the accounts and certain services provided by the custodian including, but not limited to, automatic downloads of client data and client servicing support.
Item 11	Private Investment Funds: The confidential private placement memorandum for each Investment Partnership and Offshore Fund advised by Symphony includes information of the minimum investment requirements for each fund.
Item 11.A	<u>Account Reviews and Reports</u> Account Reviews: All of Symphony's portfolios are reviewed on at least a weekly basis. Symphony may also conduct daily portfolio reviews on a random basis. These weekly/random daily reviews include monitoring cash equivalent positions and other position limits, as well as settlement issues regarding transactions. Symphony conducts monthly reviews of its portfolio construction guidelines. These guidelines may include, but are not limited to, individual security position levels, diversification levels, cash equivalent positions, other positions limits, industry, country and sector weightings and differences between client portfolio holdings. Symphony also conducts a quarterly review of its client portfolios. The quarterly review monitors all holding limits and other constraints for each portfolio. Additional or special reviews of a particular portfolio may be triggered by: (i) a change in the client's investment objectives or restrictions, (ii) the client's addition of assets to or withdrawal of assets from the portfolio, (iii) the purchase or sale of a security for the portfolio, or a change in the client's financial condition, as reported by the client. All reviews are conducted by Symphony's Director of Investments and its Director of Fixed Income Strategies. Because of the highly disciplined and computerized methodology employed by Symphony, there is no formal limit on the number of portfolios assigned to the Director of Investments for review.
Item 11.B	Account Reports: Each client of Symphony will receive monthly reports summarizing the following information regarding its portfolio: (a) the current value; (b) the recent and since inception performance; and (c) the benchmarks. Other special, more detailed and/or more frequent reports are available upon a client's request.
Item 12.A	Investment Discretion: Symphony only manages client accounts on a discretionary basis and it will generally

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Item 12.A (cont.)	<p>have full authority to determine (without obtaining client consent or consulting with the client on a transaction-by-transaction basis) which securities will be bought or sold, and the amount of such securities to be bought or sold. Symphony will exercise this authority consistent with its investment philosophy and in accordance with the powers, instructions, investment objectives and investment restrictions given to Symphony pursuant to the investment advisory agreements entered into by Symphony with each client.</p> <p>Symphony employs various investment and trading strategies and provides investment advisory services to a wide range of clients, including registered investment companies, hedge funds and separately managed accounts. Symphony makes investment decisions on behalf of its investment advisory clients in light of each client's own investment objective, restrictions and circumstances.</p> <p>In so doing, Symphony takes into account a variety of factors, including the client's investment mandate as it relates to long-term prospects and/or short-term prospects of a security or class of securities; the client account's holdings in securities of a particular sector as compared to a specified benchmark or index; guidelines on the rate of portfolio turnover; guidelines on the number of securities that may be held at any time; and requirements for liquidity or cash positions. From time to time, this may result in Symphony effecting investment decisions for one or more advisory clients that differ from investment decisions made by Symphony for other advisory clients. For example, Symphony may sell short a particular security for certain advisory clients while holding a long position in the same security or a security that is convertible or exchangeable into the same security for other advisory clients. Furthermore, certain of Symphony's advisory client accounts may acquire or increase long positions in a security while other accounts may hold short positions in the same security at the same time.</p> <p>These circumstances may create an actual or perceived conflict of interest (1) because selling short a particular security could disadvantage a client account that is holding a long position in that security by putting downward pressure on the price of that security (similarly, the purchase of a security could disadvantage a client account that is holding a short position in the same security by putting upward pressure on the price of that security) and (2) because if a client account holding either a long or short position profits from that position, another client account holding the opposite position may not, or may profit to a lesser extent or may even experience a loss. Symphony seeks to address these situations through internal procedures that seek to ensure that contrary positions occur as the result of Symphony making investment decisions that it believes is in the best interests of each client and consistent with each client's own investment objectives, restrictions and circumstances.</p> <p>Brokerage Practices:</p> <p>Each discretionary client's investment advisory agreement generally will give Symphony full authority to determine (without obtaining client consent or consulting with the client on a transaction-by-transaction basis) the brokers or dealers through whom all</p>
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Item 12.A (cont.)	<p>transactions for the client’s account will be executed. A client may, however, direct Symphony to execute all transactions for the client’s account through a specified broker or dealer (the “Specified Broker”).</p> <p><u>Where Symphony Selects Brokers/Dealers</u></p> <p>Where a client authorizes Symphony to select the brokers and/or dealers through whom transactions for the client’s account are executed, Symphony will allocate its clients’ account transactions to such brokers or dealers for execution on such markets, at such prices and at such commission rates (which may be in excess of the prices or commission rates that might have been charged for execution on other markets or by other brokers or dealers) as in Symphony’s good faith judgment are appropriate, subject always to Symphony’s duty of best execution. Symphony considers in the selection of such brokers or dealers not only the available prices and rates of brokerage commissions, but also other relevant factors, which may include, without limitation, the execution capabilities of the brokers or dealers, research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such brokers or dealers that are expected to enhance Symphony’s general portfolio management capabilities, the size of the transaction, the difficulty of execution, the operational facilities of the brokers or dealers involved, the risk in positioning a block of securities and the quality of the overall brokerage and research services provided by the broker or dealer.</p> <p>Symphony seeks to have its clients pay the lowest commission rate available that they must pay to obtain the quality of execution that Symphony deems necessary for the applicable transaction. As noted above, Symphony considers other factors. For example, at times, Symphony receives research reports from brokers and Symphony’s portfolio managers and analysts consult with brokers’ analysts. Symphony does not, however, obtain any third party services from brokers.</p> <p>Symphony has policies and procedures with respect to the fair and equitable allocation of trades and investment opportunities among clients, and may employ methodologies, such as a random rotation schedule, to ensure that clients are treated fairly and equitably over time. In executing brokerage transactions, Symphony may in its discretion seek to aggregate certain client transactions in a security with those of other clients and trade the securities as a “block” in order to obtain volume discounts on brokerage commissions or costs.</p> <p><u>Where Brokerage is Directed by the Client</u></p> <p>Where a client directs Symphony to effect all transactions for the client’s account through a Specified Broker, Symphony may not negotiate brokerage commissions with respect to transactions executed by the Specified Broker for the client’s account. Rather, the client and the Specified Broker may agree on the commission rate that the Specified Broker will charge for transactions effected for the account. As a result, and depending upon (a) the client’s arrangement with the Specified Broker (if applicable), (b) such factors as the number of securities, instruments or obligations being bought or sold for</p>
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Item of Form (identify)	Answer
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Item 12.A (cont.)	<p>the clients, whether round or odd lots are being acquired for the client and the market for the security, instrument or obligation and (c) the fact that the client will be foregoing any benefit from savings on execution costs that Symphony could obtain for its clients through negotiating volume commission discounts on batched transactions, the client may pay higher commissions than those paid by clients who have not directed Symphony to execute transactions through a specified broker or dealer. In addition, the client may not receive the best available price with respect to certain transactions effected for the client's account.</p> <p><u>Use of Research Service/Soft Dollars Arrangements</u> Generally speaking, Symphony does not engage in the use of soft dollars. If at such time the Symphony does decide to utilize soft dollars, the Symphony will comply with the soft dollar policy described in Symphony's Compliance Manual. Symphony's soft dollar policy is designed to meet the requirements of the safe harbor under Section 28(e) of the Exchange Act.</p> <p><u>Cross Trades</u> When permitted by applicable law, Symphony may utilize cross trades when it is advantageous to do so for specific client accounts. Symphony may engage in cross transactions for registered investment company clients only when permitted to do so by the board of directors or trustees of the client. In addition, certain employees of Symphony who are also employees of a related party investment adviser and act as portfolio managers to that related party investment adviser's registered investment company(ies) may also engage in cross-trade transactions between advisory clients of Symphony and the related party investment adviser, as permitted by the Investment Company Act. Cross trades will only be affected in compliance with the Advisers Act and the rules adopted thereunder, and for investment company clients, the Investment Company Act and the rules adopted thereunder, as well as any other applicable laws.</p> <p>Privacy Policy:</p> <p>It is Symphony's policy to protect, through administrative, technical and physical safeguards, the security and confidentiality of financial records and other nonpublic personal information concerning its clients (including investors in such clients, if applicable) and persons who have applied to be clients or investors. Symphony's employees may not disclose the identity, affairs, investments or other personal information of any of Symphony's clients or potential clients to anyone outside of Symphony, except such information as may be disclosed with the permission of the client or required to be disclosed in connection with servicing the client's account (such as to a brokerage firm at which such account is held) or for the business of Symphony (such as to Symphony's auditors and lawyers). Symphony may also share nonpublic personal information with its affiliates, as permitted in applicable privacy rules.</p> <p>Annually, Symphony's clients and investors in private funds managed or advised by Symphony are provided with copies of Symphony's Privacy Policy. Prospective clients and investors are also provided copies of Symphony's Privacy Policy as part of</p>
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Schedule F of Form ADV Continuation Sheet for Form ADV Part II	Applicant: Symphony Asset Management LLC	SEC File Number: 801-63941	Date: 03-15-2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Nuveen Asset Management Inc.	IRS Empl. Ident. No.: 94-3252504
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Item of Form (identify)	Answer
Item 12.A (cont.)	<p>Symphony's new client information packet. Clients who have questions about Symphony's privacy policy, or who would like copies of Symphony's Privacy Notice, please call (415) 676-4000 or write to Symphony Asset Management LLC, 555 California Street, Suite 2975, San Francisco, CA 94104-1503.</p>

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