IMPORTANT NOTICE

Attached please find an electronic copy of the Private Placement Memorandum (the "Private Placement Memorandum"), dated July 26, 2007, relating to the offering by Bryn Mawr CLO II Ltd. (the "Issuer") of U.S.$126,000,000 of its Class A-1 Revolving Notes Due 2019, U.S.$250,000,000 of its Class A-2 Term Notes Due 2019, U.S.$20,000,000 of its Class B Notes Due 2019, U.S.$40,223,000 of its Class C Notes Due 2019, U.S.$27,865,000 of its Class D Notes 2019, U.S.$900,000 of its Class E-1 Notes Due 2019, and U.S.$900,000 of its Class E-2 Notes Due 2019.

The Private Placement Memorandum shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

Distribution of this electronic transmission of the Private Placement Memorandum to any person other than (a) the person receiving this electronic transmission from Banc of America Securities LLC and (b) any person retained to advise the person receiving this electronic transmission with respect to the offering contemplated by the Private Placement Memorandum (each, an "Authorized Recipient") is unauthorized. Any photocopying, disclosure or alteration of the contents of the Private Placement Memorandum, and any forwarding of a copy of the Private Placement Memorandum or any portion thereof by electronic mail or any other means to any person other than an Authorized Recipient, is prohibited.

Notwithstanding the foregoing, the investor (and each employee, representative or other agent of such investor) may disclose to any and all persons, without limitation of any kind, the 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 investor relating to such tax treatment and tax structure.

By accepting delivery of the Private Placement Memorandum, each recipient hereof agrees to the foregoing. This "Important Notice" will not form a part of the Private Placement Memorandum.

PRIVATE PLACEMENT MEMORANDUM

BRYN MAWR CLO II LTD.

STRUCTURED ENHANCED RETURN VEHICLE SECURITIES (SERVES®)

U.S.$126,000,000 Class A-1 Revolving Notes

U.S.$250,000,000 Class A-2 Term Notes

U.S.$20,000,000 Class B Notes

U.S.$40,223,000 Class C Notes

U.S.$27,865,000 Class D Notes

U.S.$900,000 Class E-1 Notes

U.S.$900,000 Class E-2 Notes

Bryn Mawr CLO II Ltd. (the "**Issuer**"), an exempted company with limited liability incorporated in the Cayman Islands, will issue U.S.$126,000,000 principal amount of Class A-1 Revolving Notes (the "**Class A-1 Revolving Notes**"), U.S.$250,000,000 principal amount of Class A-2 Term Notes (the "**Class A-2 Term Notes**" and, together with the Class A-1 Revolving Notes, the "**Class A Notes**"), U.S.$20,000,000 principal amount of Class B Notes (the "**Class B Notes**"), U.S.$40,223,000 principal amount of Class C Notes, (the "**Class C Notes**"), U.S.$27,865,000 principal amount of Class D Notes (the "**Class D Notes**"), U.S.$900,000 principal amount of Class E-1 Notes (the "**Class E-1 Notes**") and U.S.$900,000 principal amount of Class E-2 Notes (the "**Class E-2 Notes**" and, together with the **Class E-1 Notes**, the "**Class E Notes**"). The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are referred to herein as the "**Notes**" or the "**SERVES**". The Notes will be issued pursuant to an Indenture, dated as of July 27, 2007 (the "**Indenture**"), between the Issuer and Deutsche Bank Trust Company Americas, as Trustee (the "**Trustee**").

The assets of the Issuer will be comprised of (i) a portfolio of CDO Assets and Eligible Investments (as such terms are defined herein) purchased with the net proceeds from the sale of the Notes, (ii) the rights of the Issuer under the Collateral Management Agreement (as defined herein), and (iii) any payments or distributions received in respect of the CDO Assets and Eligible Investments. The CDO Assets will consist of a diversified pool of bank loans, floating rate notes, Approved Structured Securities and Synthetic Securities with a maximum CDO Asset Initial Amount (as defined herein) of approximately U.S.$400,000,000. Deerfield Capital Management LLC will act as collateral manager for the Issuer (in such capacity, the "**Collateral Manager**"), selecting and managing the portfolio of CDO Assets and the Eligible Investments under the Indenture.

The Issuer will pay interest in respect of the Notes quarterly, on the 8th day of each February, May, August and November, commencing on February 8, 2008 (or, if any such day is not a Business Day, the next succeeding Business Day) (each a "**Quarterly Payment Date**"). The Notes will be scheduled to mature on August 8, 2019 (the "**Scheduled Maturity Date**"), but may be redeemed in whole or in part prior to such date under the circumstances described herein.

The interest rate on the Class A Notes (the "**Class A Note Rate**") will be (a) for the period from the Closing Date to, but excluding, August 8, 2013, LIBOR plus 0.30% and (b) for the period from, and including, August 8, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 0.60%. The interest rate on the Class B Notes (the "**Class B Note Rate**") will be LIBOR plus 0.90%. The interest rate on the Class C Notes (the "**Class C Note Rate**") will be LIBOR plus 1.60%. The interest rate on the Class D Notes (the "**Class D Note Rate**") will be (a) for the period from the Closing Date to, but excluding, August 8, 2013, LIBOR plus 4.00% and (b) for the period from, and including, August 8, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 1.50%. The holders of the Class D Notes will also be entitled to receive additional interest during the period described in (b) above at the rate of 2.50%; *provided,* that the Issuer will pay such additional interest only if certain conditions described herein are satisfied. The Class E Notes will bear interest at LIBOR plus 5.00% (the "**Class E Note Rate**"). In addition to the payment of interest at the rates described above, the holders of the Class D Notes and the Class E Notes will be entitled to additional payments described herein if certain conditions are satisfied. See "*Description of the SERVES — Priority of Payments*."

AMOUNTS RECEIVED BY THE ISSUER IN RESPECT OF THE CDO ASSETS AND THE ELIGIBLE INVESTMENTS WILL BE THE SOLE SOURCES OF PAYMENTS FOR THE SERVES. THE SERVES WILL NOT REPRESENT AN INTEREST IN OR OBLIGATION OF, AND WILL NOT BE INSURED OR GUARANTEED BY, THE UNITED STATES OR ANY GOVERNMENT AGENCY OR INSTRUMENTALITY THEREOF, THE PARTICIPANT, THE COLLATERAL MANAGER, THE PLACEMENT AGENT, THE TRUSTEE OR ANY OF THEIR RESPECTIVE AFFILIATES. THE SERVES WILL NOT BE DEPOSITS OF BANK OF AMERICA, N.A. OR ANY OTHER INSTITUTION AND WILL NOT BE INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION.

There will be no secondary market for the SERVES prior to the offering hereof. There can be no assurance that a secondary market for the SERVES will develop or, if it does develop, that it will continue.

Investing in the SERVES involves risks. See "*Risk Factors*" herein.

The Class A-1 Revolving Notes will be issued only in definitive form. The Class A-2 Term Notes will be issued initially in definitive form and book-entry form. The Class B Notes, the Class C Notes and the Class D Notes will be issued initially only in book-entry form. The Class E-1 Notes and the Class E-2 Notes will be issued initially in definitive form and book-entry form. The SERVES issued in book-entry form will be evidenced by one or more global notes, each registered in the name of the nominee of The Depository Trust Company ("**DTC**") and deposited with DTC or a custodian on its behalf. The SERVES will be subject to certain restrictions on transfer as described herein.

THE SERVES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), UNDER APPLICABLE STATE SECURITIES LAWS OR UNDER THE LAWS OF ANY OTHER JURISDICTION. THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), IN RELIANCE ON THE EXEMPTION PROVIDED BY SECTION 3(c)(7) THEREOF. THE CLASS A NOTES, THE CLASS B NOTES, THE CLASS C NOTES, THE CLASS D NOTES AND THE CLASS E-2 NOTES ARE BEING PRIVATELY PLACED (A) WITH "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) WHO ARE ALSO "QUALIFIED PURCHASERS" (WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT) AND (B) OUTSIDE THE UNITED STATES WITH PERSONS WHO ARE NOT "U.S. PERSONS" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE LAWS. THE CLASS E-1 NOTES ARE BEING PRIVATELY PLACED (A) WITH "ACCREDITED INVESTORS" (AS DEFINED IN RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT) OR "QUALIFIED INSTITUTIONAL BUYERS" WHO, IN EACH CASE, ARE ALSO "QUALIFIED PURCHASERS" AND (B) OUTSIDE THE UNITED STATES WITH PERSONS WHO ARE NOT "U.S. PERSONS" IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE LAWS.

The SERVES will be offered when, as and if delivered and subject to the right of the Placement Agent to reject orders in whole or in part. It is expected that the SERVES will be delivered on or about July 27, 2007 (the "**Closing Date**"), against payment therefor in immediately available funds.

Although no Class of Notes will be listed on a stock exchange on the Closing Date, the Issuer may, at any time after the Closing Date, list any Class of Notes on a stock exchange.

"SERVES®" is a registered service mark of Bank of America Corporation.

BANC OF AMERICA SECURITIES LLC

The date of this Private Placement Memorandum is July 26, 2007.

NOTICE TO NEW HAMPSHIRE INVESTORS

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire revised statutes with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State 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.

NOTICES TO PURCHASERS

The SERVES have not been registered under the Securities Act, the securities laws of any state of the United States or the securities laws of any other jurisdiction and may not be offered, sold or otherwise transferred within the United States, or to, or for the account or benefit of, United States persons, unless a registration statement with respect thereto is then effective under the Securities Act or an exemption from registration under the Securities Act and applicable state securities laws is available. The Issuer has no obligation or current intention to effect such registration. The Issuer is relying on an exclusion from registration under the Investment Company Act, and no transfer of a SERVES may be made which would cause the Issuer to become subject to the registration requirements of the Investment Company Act. The SERVES are also subject to certain other restrictions on transfer described herein. Prospective purchasers of the SERVES should proceed on the assumption that they must hold their SERVES for an indefinite period of time.

The purchaser of a SERVES, by its acceptance thereof, will be deemed to represent, acknowledge and agree that it will resell, pledge or otherwise transfer such SERVES only in compliance with the Securities Act and other applicable laws and (a) with respect to the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes, in compliance with Rule 144A under the Securities Act to a person which the seller reasonably believes is a "Qualified Institutional Buyer" (as defined in Rule 144A) purchasing for its own account or for the account of a Qualified Institutional Buyer; (b) with respect to the Class E-1 Notes, to an "Accredited Investor" as defined in Rule 501(a) of Regulation D under the Securities Act or a Qualified Institutional Buyer; or (c) with respect to all SERVES, to a non-U.S. Person outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act; *provided* that, in each case, the purchaser delivers all documents and certifications as the Issuer or the Trustee may reasonably request and as may be required under any applicable securities law of any state of the United States and any other jurisdiction. In addition, the purchaser of a SERVES, by its acceptance thereof, will be deemed to represent, acknowledge and agree that, among other things, it will not resell, pledge or otherwise transfer such SERVES other than to (i) a non-U.S. Person in an offshore transaction in compliance with Rule 903 or Rule 904 of Regulation S or (ii) for SERVES other than the Class E-2 Notes, to a person which the seller reasonably believes is a Qualified Institutional Buyer (or to a person that is an Accredited Investor in the case of the Class E-1 Notes) that is also a "Qualified Purchaser" within the

meaning of the Investment Company Act, in each case, in a transaction that does not cause the Issuer to be required to register under the Investment Company Act. See also "*Purchase and Transfer Restrictions*." There are restrictions on sales or transfers to a Benefit Plan Investor (as defined below). See "*ERISA Considerations*."

No representation is made to any offeree or purchaser of the SERVES regarding the legality of investment therein by such offeree or purchaser under applicable legal investment or similar laws.

Prospective purchasers should not construe the contents of this Private Placement Memorandum (this "**Private Placement Memorandum**") or any related supplement as legal, tax, accounting, or economic advice. Each prospective purchaser should consult its counsel, accountants and other advisors as to legal, tax, accounting, economic and related aspects of a purchase of a SERVES.

In making an investment decision prospective investors should rely on their own examination of the assets of the Issuer, the CDO Portfolio Criteria and the terms of the offering, including the merits and risks involved.

This Private Placement Memorandum has been prepared by the Issuer solely for use in connection with the offering of the SERVES described herein. Neither the Placement Agent nor any of its Affiliates: (a) makes any representation or warranty as to, or assumes any responsibility for, the accuracy or completeness of the information contained herein or (b) has independently verified any such information or assumes any responsibility for its accuracy or completeness. Nothing contained in this Private Placement Memorandum is or should be relied upon as a promise or representation as to future results or events. The Trustee has not participated in the preparation of this Private Placement Memorandum and does not assume any responsibility for its contents.

To ensure compliance with U.S. Treasury Department circular 230, investors in the Notes are hereby notified that: (a) any discussion of U.S. federal tax issues in this Private Placement Memorandum is not intended or written by the Issuer to be relied upon, and cannot be relied upon by investors in the SERVES, for the purpose of avoiding penalties that may be imposed on investors in SERVES under the U.S. Internal Revenue Code; (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein by the Issuer; and (c) investors in the SERVES should seek advice based on their particular circumstances from their own independent tax advisors.

Except for the information set forth under "*The Collateral Manager*" and "*Risk Factors — Other Considerations — Certain Conflicts of Interest Regarding the Collateral Manager*," "*—Restructuring of the Collateral Manager*" and "*—The Issuer Will Be Highly Dependent on Key Personnel of the Collateral Manager*" neither the Collateral Manager nor any of its Affiliates: (a) makes any representation or warranty as to, or assumes any responsibility for, the accuracy or completeness of the information contained herein; (b) has independently verified any such information or assumes any responsibility for its accuracy or completeness; or (c) has participated in the preparation of this Private Placement Memorandum or assumes any responsibility for its contents.

The Placement Agent does not assume any responsibility for the performance of any obligations of the Issuer or any other person described in this Private Placement Memorandum or for the due execution, validity or enforceability of the SERVES, the instruments or documents delivered in connection with the SERVES or for the value or validity of any collateral or security interests pledged in connection therewith.

The Issuer will make available to any offeree of the SERVES, prior to the issuance thereof, the opportunity to ask questions of and to receive answers from the Issuer or a person acting on its behalf concerning the terms and conditions of the offering, the Issuer or any other relevant matters, and to obtain any additional information to the extent the Issuer possesses such information or can obtain it without unreasonable expense.

An investment in the SERVES is only suitable for financially sophisticated investors which are capable of evaluating the merits and risks of such investment and which have sufficient resources to be able to bear any losses which may result from such an investment. In addition, the financial condition of an investor in the SERVES should be such that such investor has no need for liquidity with respect to the SERVES and no need to dispose of its SERVES or any portion thereof to satisfy any existing or contemplated indebtedness, obligations or other undertaking.

Notwithstanding anything to the contrary contained in this Private Placement Memorandum, all persons may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment of the Notes, the U.S. federal income tax structure of the transaction described herein, any fact that may be relevant to understandings the U.S. federal income tax treatment of the Notes and the U.S. federal income tax structure of the transaction described herein, and all materials of any kind (including opinions or other tax analyses) relating to such U.S. federal income tax treatment and structure.

In this Private Placement Memorandum, references to "written direction" or "direction in writing" shall include direction given by means of electronic mail.

In this Private Placement Memorandum, references to "Dollars," "$" and "U.S.$" are to United States Dollars.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

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

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

The Placement Agent has represented, warranted and agreed that: (i) it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the SERVES, will

not offer or sell any SERVES to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of The Public Offers of Securities Regulations 1995 or following implementation in the United Kingdom of the EU Prospectus Directive 2003/7/EC. The Financial Services and Markets Act 2000 ("**FSMA**") as amended; (ii) 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 FSMA) received by it in connection with the issue or sale of any SERVES in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the SERVES in, from or otherwise involving the United Kingdom.

This Private Placement Memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals as defined in Article 19(5) of the FSMA (Financial Promotion) Order 2001 (the "**Order**") or (iii) persons falling within Article 49(2) of the Order or (iv) persons to whom this Private Placement Memorandum may otherwise lawfully be issued or passed (all such persons together being referred to as "**Relevant Persons**"). The offered Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such offered Notes will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Private Placement Memorandum or any of its contents.

EUROPEAN ECONOMIC AREA

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an Offer of Securities to the Public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an Offer of Securities to the Public in that Relevant Member State:

(A) In (or in Germany, where the offer starts within) the period beginning on the date of publication of a Prospectus in relation to those securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(B) At any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(C) At any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(D) At any time in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**Offer of Securities to the Public**" in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The distribution of this Private Placement Memorandum and the offer or sale of SERVES may be restricted by law in certain jurisdictions. Neither the Issuer nor the Placement Agent represents that this document may be lawfully distributed, or that any SERVES may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Placement Agent which would permit a public offering of any SERVES or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no SERVES may be offered or sold, directly or indirectly, and neither this Private Placement Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Private Placement Memorandum or any SERVES come must inform themselves about and observe any such restrictions.

CERTAIN CONSIDERATIONS RELATING TO THE CAYMAN ISLANDS

The Issuer is an exempted company with limited liability incorporated under the laws of the Cayman Islands. As a result, it may not be possible for investors 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 informed 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 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.

FORWARD LOOKING STATEMENTS

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

Some important factors that could cause actual results to differ materially from those in any forward looking statements include, among others, changes in interest rates; market, financial, or legal uncertainties; differences in the actual allocation of the CDO Assets among categories from those assumed and the performance of the CDO Assets. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Placement Agent, the Collateral Manager, the Trustee, the Collateral Administrator, the Participant 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, the Participant or any of their respective Affiliates has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof, or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act for resales of the Rule 144A Global Notes, the Issuer will make available to holders of the Rule 144A Global Notes and prospective purchasers who request such information, 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 if the Issuer is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. Copies of such information may be obtained free of charge from the office of the Trustee. The Issuer does not expect to become such a reporting company or to be so exempt from reporting. The Issuer will also furnish to the holders of the Rule 144A Global Notes certain other information on a periodic basis.

CERTAIN LEGAL INVESTMENT CONSIDERATIONS

Institutions whose investment activities are subject to investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investments in the SERVES. Any such institution should consult its legal advisers in determining whether and to what extent there may be restrictions on its ability to invest in the SERVES. Without limiting the foregoing, any financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, any state insurance commission, or any other federal or state agencies with similar authority should

review any applicable rules, guidelines and regulations prior to purchasing the SERVES. Depository institutions should review and consider the applicability of the Federal Financial Institutions Examination Council Supervisory Policy Statement on Securities Activities, which has been adopted by the respective federal regulators.

None of the Issuer, the Placement Agent, the Collateral Manager, the Trustee, the Collateral Administrator, the Participant or any of their respective Affiliates makes any representation as to the proper characterization of the SERVES for investment or other purposes, or as to the ability of particular purchasers to purchase the SERVES under applicable investment restrictions. The uncertainties described above (and any unfavorable future determinations concerning investment or applicable regulatory characteristics of the SERVES) may affect the liquidity of the SERVES. Accordingly, all institutions whose activities are subject to investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult their own legal advisers in determining whether and to what extent the SERVES are subject to investment, capital or other restrictions.

TABLE OF CONTENTS

SUMMARY

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Private Placement Memorandum. Capitalized terms used but not defined in this Summary are defined elsewhere in this Private Placement Memorandum. See, also, the Additional Defined Terms attached hereto as Annex A and the Index.

The Issuer:	Bryn Mawr CLO II Ltd. (the "**Issuer**") is an exempted company with limited liability incorporated under the laws of the Cayman Islands. The Issuer has no prior operating experience (other than pursuant to the Warehousing Agreement). The Issuer will not undertake any activities other than issuing the Notes, investing and reinvesting the proceeds from the sale of the Notes and payments received in respect of the CDO Assets in CDO Assets and Eligible Investments, entering into and performing its obligations under the Collateral Management Agreement, entering into and performing its obligations under such placement and subscription agreements as may be necessary in connection with the offering and sale of the Notes from time to time, fulfilling its obligations under the Warehousing Agreement and engaging in such other activities which are necessary, suitable or convenient to accomplish the foregoing, all as described in this Private Placement Memorandum and in accordance with the Indenture and the Formation Documents of the Issuer. Payments received by the Issuer in respect of the Collateral securing the Notes will be the only source of moneys for the Issuer. The Issuer has an authorized share capital of U.S.$50,000, consisting of 50,000 ordinary shares with a par value of U.S.$1.00 per share (the "**Ordinary Shares**"). As of the Closing Date, the issued share capital of the Issuer will be 250 Ordinary Shares all of which are fully paid-up and are held by Maples Finance Limited ("**Maples Finance**") under the terms of a declaration of trust.
The Company Administrator:	Maples Finance will act as administrator (in such capacity, the "**Company Administrator**") and will perform certain administrative services for the Issuer in the Cayman Islands pursuant to an administration agreement, dated as of May 4, 2007 (the "**Company Administration Agreement**"), between the Company Administrator and the Issuer.
Securities Offered:	The Issuer will issue pursuant to the Indenture U.S.$126,000,000 aggregate principal amount of Class A-1 Revolving Notes (the "**Class A-1 Revolving Notes**"), U.S.$250,000,000 aggregate principal amount of Class A-2 Term Notes (the "**Class A-2 Term Notes**" and, together with the Class A-1 Revolving Notes, the "**Class A Notes**"), U.S.$20,000,000 aggregate principal amount of Class B Notes (the "**Class B Notes**"), U.S.$40,223,000 aggregate principal amount of Class

C Notes (the "**Class C Notes**"), U.S.$27,865,000 aggregate principal amount of Class D Notes (the "**Class D Notes**"), U.S.$900,000 aggregate principal amount of Class E-1 Notes (the "**Class E-1 Notes**") and U.S.$900,000 principal amount of Class E-2 Notes (the "**Class E-2 Notes**" and, together with the Class E-1 Notes, the "**Class E Notes**"). The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are referred to herein as the "**Notes**" or the "**SERVES**". The interest rate on the Class A Notes (the "**Class A Note Rate**") will be (a) for the period from the Closing Date to, but excluding, August 8, 2013, LIBOR plus 0.30% and (b) for the period from, and including, August 8, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 0.60%. The interest rate on the Class B Notes (the "**Class B Note Rate**") will be LIBOR plus 0.90%. The interest rate on the Class C Notes (the "**Class C Note Rate**") will be LIBOR plus 1.60%. The interest rate on the Class D Notes (the "**Class D Note Rate**") will be (a) for the period from the Closing Date to, but excluding, August 8, 2013, LIBOR plus 4.00% and (b) for the period from, and including, August 8, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 1.50%. The holders of the Class D Notes will also be entitled to receive additional interest during the period described in (b) above at the rate of 2.50% (the "**Class D Note Additional Interest Rate**"); *provided* that the Issuer will pay such additional interest only if certain conditions described herein are satisfied. The Class E Notes will bear interest at LIBOR plus 5.00% (the "**Class E Note Rate**"). In addition to the payment of interest at the rates described above, the holders of the Class D Notes and the Class E Notes will be entitled to additional payments described herein if certain conditions are satisfied. See "*Description of the SERVES — Priority of Payments*."

The Notes will be scheduled to mature on August 8, 2019 (the "**Scheduled Maturity Date**"), but will be subject to redemption in whole or in part prior to such date under the circumstances described herein. See "*Risk Factors*" for the description therein of various risks that may adversely affect the ability of the holders of the Notes to be repaid in full the amount of their investment therein.

Each of the Class A-1 Revolving Notes, the Class A-2 Term Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E-1 Notes and the Class E-2 Notes are herein referred to as a "**Class**" of Notes.

Purchases of Initial SERVES:

On the Closing Date, each of the initial purchasers of Notes will, unless otherwise specified by the Indenture, execute a Purchase Agreement with the Issuer (each, a "**Purchase Agreement**") and an Investment Letter. Under the Purchase Agreements, the initial purchasers will commit to purchase the full amount of the Notes, at a price equal to

100% of the principal amount thereof, in the amounts and on the dates set forth therein and in the Indenture. Purchases will be required to be made on the Closing Date in the aggregate principal amount of U.S.$20,000,000 of the Class B Notes, U.S.$40,223,000 of the Class C Notes, U.S.$27,865,000 of the Class D Notes, U.S.$900,000 of the Class E-1 Notes and U.S.$900,000 of the Class E-2 Notes. The purchase price of the Class A-1 Revolving Notes and the Class A-2 Term Notes shall be the respective funded amounts thereof. The Class A-1 Revolving Notes are not expected to be funded on the Closing Date, and the funded amount of the Class A-2 Term Notes is expected to be U.S.$137,275,000 on the Closing Date. The maximum aggregate outstanding amount of the Class A-2 Term Notes is U.S.$250,000,000.

Pursuant to one or more Purchase Agreements to be entered into on the Closing Date by and among the Issuer, the Class A Notes Agent and the holders of the Class A-1 Revolving Notes (each a "**Class A-1 Revolving Note Purchase Agreement**") and subject to compliance with certain borrowing conditions specified therein, the Issuer may, from time to time, request advances, repay such advances and then reborrow amounts from the holders of the Class A-1 Revolving Notes, and the holders of the Class A-1 Revolving Notes will agree to make such advances to the Issuer in an aggregate principal amount at any one time outstanding of up to U.S.$126,000,000. See "*Description of the SERVES — The Class A-1 Revolving Notes.*" Among other borrowing conditions, the holders of the Class A-1 Revolving Notes will be obligated to make advances to the Issuer if the proceeds of the related advances are required by the Issuer for the purposes of (a) acquiring CDO Assets prior to the Note Amortization Period (*provided* that the aggregate CDO Asset Initial Amounts of CDO Assets at any one time does not exceed U.S.$400,000,000), (b) making payments and distributions pursuant to paragraphs (1) through (11) of the Quarterly Priority of Payments if the Eligible Investments credited to the Interest Collateral Account and the Principal Collateral Account are insufficient to make such payments (after payment of any Warehousing Payments on such date under the Indenture), (c) funding delayed funding amounts and credit lines relating to delayed drawdown term loans and revolving credit facilities, as applicable, included in the CDO Assets and (d) making payments under any Synthetic Security. Each purchaser of Class A-1 Revolving Notes will be required to satisfy, in addition to the other requirements specified herein, the Ratings Criteria.

Pursuant to one or more Purchase Agreements to be entered into on the Closing Date by and among the Issuer, the Class A Notes Agent and the holders of the Class A-2 Term Notes (each a "**Class A-2 Term Note Purchase Agreement**") and subject to compliance with certain funding conditions specified therein, the Issuer may, from time to time on or prior to the 120th day following the Closing Date (or, if such day is not a

Business Day, the following Business Day), obtain fundings from the holders of the Class A-2 Term Notes, and the holders of the Class A-2 Term Notes will agree to make such fundings to the Issuer in an aggregate principal amount at any one time outstanding not to exceed the excess of U.S.$250,000,000 over the amount of the Class A-2 Term Notes funded on the Closing Date. On the 120th day after the Closing Date (or, if not a Business Day, the following Business Day), the Issuer (or the Collateral Manager on behalf of the Issuer) will be required to request a Funding in the amount of the unfunded portion of the Funding Commitment. See "*Description of the SERVES — The Class A-2 Term Notes*."

Ratings: It is a condition to the issuance of the Notes that the Class A-1 Revolving Notes, the Class A-2 Term Notes, the Class B Notes, the Class C Notes and the Class D Notes have initial ratings of at least "AAA," "AAA," "AA," "A" and "BBB" respectively, by Fitch. Such ratings will be based upon an evaluation of the ability of the Issuer, with respect to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, to pay on a timely basis interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes at the applicable Note Rates and to pay the Outstanding Principal Amount of such Notes on the Scheduled Maturity Date as contemplated by the Basic Documents. The ratings will not address the ability of the Issuer to pay the Outstanding Principal Amount of such Notes at any time prior to the Scheduled Maturity Date or to make any other payments with respect to the Notes (including the payment of any interest on the Class D Notes at the Class D Note Additional Interest Rate). See "*Description of the SERVES*" and "*Rating of the Notes*."

Use of Proceeds and Indenture Accounts: The net proceeds from the issuance of the Notes (less U.S.$3,963,000) received by the Issuer on the Closing Date will be deposited into an account with the Trustee to be designated the "**Principal Collateral Account**." The remaining U.S.$3,963,000 of net proceeds will be deposited into an account with the Trustee to be designated the "**Interest Collateral Account**."

On the Closing Date, the Issuer will utilize the net proceeds deposited in the Principal Collateral Account to repurchase the Warehoused Loan Participations pursuant to the Warehousing Agreement, and the related Warehoused Loans will be the initial CDO Assets in the CDO Portfolio. See "*The Warehousing Agreement*."

Funds in the Principal Collateral Account will be invested at the written direction of the Collateral Manager in CDO Assets and Eligible Investments. All of the interest distributions and investment income in respect of the CDO Assets and the Eligible Investments in the Principal

Collateral Account, the Interest Collateral Account and each Synthetic Security Counterparty Account, to the extent not used to make periodic payments to related Synthetic Security Counterparty, will be deposited into (or retained in) the Interest Collateral Account. On each Quarterly Payment Date, any moneys in the Interest Collateral Account, after all of the payments are made in accordance with the Quarterly Priority of Payments, will be transferred to the Principal Collateral Account or used to redeem the most senior Class of Notes outstanding.

In connection with the acquisition of a Synthetic Security, the Trustee will establish a Synthetic Security Counterparty Account. See "*Description of the SERVES — Indenture Accounts and Distributions*."

Mandatory Redemption: During the Note Amortization Period, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will be subject to mandatory redemption in whole or in part as provided in the Indenture, to the extent that moneys are available thereunder to effect such redemption. In connection with any mandatory redemption, the Class B Notes, the Class C Notes and/or the Class D Notes will be redeemed in an amount determined by reference to the Maximum Leverage Factor, with any remaining available moneys on such Quarterly Payment Date being used to repay the Class A-1 Revolving Notes and redeem the Class A-2 Term Notes; *provided*, that the Class A-1 Revolving Notes will be repaid in full (but not redeemed) prior to any such redemption of the Class A-2 Term Notes. The Class E Notes will not be subject to mandatory redemption in whole or in part. See "*Description of the SERVES — Redemption of the SERVES*" and "*Description of the SERVES — Priority of Payments — Quarterly Priority of Payments*."

Optional Redemption: On or after the Lock-Out Date, the Notes will be subject to redemption (in whole, but not in part) at the option of the Class D Noteholders owning more than 66-2/3% of the Outstanding Principal Amount of the Class D Notes. Such redemption will occur on the Business Day designated in a notice of redemption delivered by such Noteholders to the Trustee and the Collateral Manager; *provided* that the date so designated may not be less than 30 days, nor more than 150 days, following the date of delivery of such notice. Such redemption will be effective only if (i) sufficient funds remain in the Principal Collateral Account, the Interest Collateral Account and, if applicable, the related Synthetic Security Counterparty Accounts (after giving effect to the liquidation of all CDO Assets and Eligible Investments) to make all payments set forth in paragraphs (1) through (16) under the Maturity Date Priority of Payments and (ii) sufficient funds are available to pay all amounts due from the Issuer under the Synthetic Securities. See "*Description of the SERVES — Priority of Payments*." If the funds available in the Principal Collateral Account, the Interest Collateral

Account and, if applicable, the related Synthetic Security Counterparty Accounts on the redemption date are insufficient to make the payments described above, no redemption of the Notes will be effected and the notice of redemption will be rescinded. The Issuer will promptly notify, in writing, the Trustee, Collateral Manager and Noteholders of such rescission.

The Notes will also be subject to redemption (in whole, but not in part) subsequent to the Lock-Out Date at the option of 100% of the holders of the Notes of all Classes, regardless of whether the assets of the Issuer are sufficient to redeem the Notes in full; *provided* that there are sufficient funds available to pay all amounts due from the Issuer under the Synthetic Securities; and *provided*, *further*, such Noteholders designate in the notice of redemption delivered by them to the Trustee and the Collateral Manager a redemption date not less than 30 days, nor more than 150 days, following the date of delivery of such notice. If there is any accrued and unpaid Secondary Collateral Management Fee payable to the Collateral Manager, such redemption will only be effected if the Collateral Manager consents to such redemption.

The Class A-1 Revolving Notes may be repaid (in whole or in part) at the option of the Issuer (upon the direction of the Collateral Manager) from the liquidation of Eligible Investments in the Principal Collateral Account on any Business Day. Any repayment made with respect to the Class A-1 Revolving Notes will not reduce the Commitments thereunder.

Tax Redemption: Upon the occurrence and during the continuation of a Withholding Tax Event, the Issuer is required to redeem the Notes in whole but not in part, if so directed in writing by the Majority of the Class D Notes and a Majority of the Class E Notes (voting separately), on any Quarterly Payment Date on which such Withholding Tax Event is continuing; *provided,* that (i) after giving effect to the liquidation of all of the CDO Assets and other Eligible Investments credited to the Principal Collateral Account, Eligible Investments credited to the Interest Collateral Account and, if applicable, Eligible Investments credited to the related Synthetic Security Counterparty Accounts, there is expected to be sufficient funds (as determined by the Collateral Manager with the cooperation of the Trustee) to make all payments set forth in paragraphs (1) through (16) under the Maturity Date Priority of Payments and (ii) sufficient funds are available to pay all amounts due from the Issuer under the Synthetic Securities. See "*Description of the SERVES — Priority of Payments*." In the event of any Tax Redemption, the Issuer will, at least 30 days prior to the redemption (unless the Trustee agrees to a shorter notice period), notify the Trustee and the Collateral Manager, in writing, of the redemption date.

Threshold Value Event as Event of Default:	Under the Indenture, the occurrence and continuation of a Threshold Value Event will constitute an Event of Default that will result in all of the Notes becoming immediately due and payable. A "**Threshold Value Event**" will be deemed to occur and be continuing if, as determined on the Thursday of each week using the most recent available price information as of the close of business on the immediately preceding Wednesday, (a) the Market Value of the CDO Assets and the fair market value of Eligible Investments held in the Principal Collateral Account, the Interest Collateral Account and each of the Synthetic Security Counterparty Accounts (together with any cash therein) minus (b) the sum of amounts accrued and payable pursuant to paragraphs (1) through (6) of the Maturity Date Priority of Payments assuming such Thursday were the Maturity Date, is less than (c) the Threshold Value. The "**Threshold Value**" will be (i) from the Closing Date to, and including, August 8, 2013, an amount equal to the lesser of (a) 6.6667% of the aggregate CDO Asset Initial Amount of all of the CDO Assets as of the date of determination, and (b) U.S.$24,000,000; and (ii) thereafter, an amount equal to 6.6667% of the aggregate CDO Asset Initial Amount of all of the CDO Assets as of the date of determination. A Threshold Value Event may be cured, with the consent of the Majority Controlling Class Noteholders, by the issuance of additional Class E Notes to the existing holders of any Class of the Notes in an aggregate principal amount sufficient to satisfy the Threshold Value Event test. See "*Description of the SERVES — Additional Issuance of Class E Notes to Cure Threshold Value Event*."
The Warehousing Agreement:	In advance of the Closing Date, the Issuer entered into a "warehousing" arrangement with Bank of America, N.A., as participant (the "**Participant**") and the Collateral Manager pursuant to which the Issuer will have acquired the Warehoused Loans with the proceeds from the sale of participations to the Participant in such Warehoused Loans (the "**Warehoused Loan Participations**"). On the Closing Date, the Issuer will repurchase the Warehoused Loans Participations from the Participant and the related Warehoused Loans will be the initial CDO Assets in the CDO Portfolio. See "*The Warehousing Agreement*."
The Collateral Management Agreement:	Deerfield Capital Management LLC will be engaged as the Collateral Manager under an agreement between the Issuer and the Collateral Manager (the "**Collateral Management Agreement**").

Under the Collateral Management Agreement, the Collateral Manager will be responsible for selecting the CDO Assets to be added to, or deleted from, the portfolio of CDO Assets held by the Issuer (the "**CDO Portfolio**"). A CDO Asset may be added to the CDO Portfolio only if, as of the trade date for such purchase, certain conditions are satisfied, including the requirement that each CDO Asset satisfy the CDO Portfolio Criteria applicable to individual CDO Assets and the Purchase Criteria, and that the addition of such CDO Asset to the CDO Portfolio will not cause the CDO Portfolio to cease to comply with the CDO Portfolio Criteria applicable to the CDO Portfolio as a whole or if the CDO Portfolio is not in compliance with the CDO Portfolio Criteria at the time of the proposed addition, such addition will not cause the CDO Portfolio to be further out of compliance. During the Note Amortization Period, the Collateral Manager will have the right to direct the deletion of CDO Assets from, but not the addition of CDO Assets to, the CDO Portfolio. See "*The CDO Portfolio — The CDO Portfolio Criteria*."

The maximum aggregate CDO Asset Initial Amount for the CDO Assets may not exceed U.S.$400,000,000.

The Collateral Manager will also instruct the Trustee in writing on selecting and liquidating Eligible Investments and attend meetings and otherwise represent the interests of the Issuer in connection with the management of the CDO Portfolio, including exercising certain rights and remedies with respect to the CDO Assets.

Restrictions on Purchase and Transfer:

The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E-2 Notes initially will be sold only (a) to "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("**Qualified Institutional Buyers**") that are also "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act ("**Qualified Purchasers**") or (b) to non-U.S. Persons outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act. The Class E-1 Notes will be sold only (a) to "accredited investors" as defined in Rule 501(a) of Regulation D under the Securities Act ("**Accredited Investors**") or Qualified Institutional Buyers, who, in each case, are also Qualified Purchasers or (b) to a non-U.S. Person outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

Unless otherwise specified in the Indenture, each initial purchaser of a Note will be required to deliver an Investment Letter containing certain representations, warranties and agreements, for the purpose of establishing, among other things, that the transaction will be exempt from registration under the Securities Act and that the Issuer will be

	exempt from registration under the Investment Company Act. Further, each transferee of a Note will either (i) be deemed to have made the representations and warranties set forth in "*Purchase and Transfer Restrictions — Investor Representations*" or (ii) make such representations and warranties pursuant to an Investment Letter. See "*Private Placement*," "*Risk Factors — Other Considerations — Investment Company Act*" and "*ERISA Considerations*."
Certain Federal Income Tax Considerations:	The Issuer intends to treat the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes as debt instruments of the Issuer for U.S. federal income tax purposes. The Issuer intends to treat the Class E Notes as equity of the Issuer for U.S. federal income tax purposes. Each Noteholder will agree so to treat its Notes, but such positions are not binding on the IRS or the courts. See "*Certain Federal Income Tax Considerations*."
ERISA Considerations:	To avoid certain fiduciary concerns and the potential application of the prohibited transaction rules under ERISA and the Code, the Class E Notes may not be sold or transferred to Benefit Plan Investors; *provided*, *however*, that the Class E Notes may be sold to an insurance company general account that satisfies certain conditions or to a Governmental Plan, a Church Plan or a non-U.S. plan that satisfies certain conditions. The Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes may be acquired by a Benefit Plan Investor or by a Governmental Plan, a Church Plan or a non-U.S. plan, but only if certain conditions are satisfied. See "*ERISA Considerations*."
Special Considerations:	An investment in the Notes is speculative and involves a high degree of risk. See "*Risk Factors*."

RISK FACTORS

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

Risks Relating to the SERVES

Limited Liquidity and Restrictions on Transfer. At the time the SERVES are issued, there will be no market for the SERVES, and there can be no assurance that a market will develop for them. Consequently, a purchaser must be prepared to hold any SERVES purchased by it for an indefinite period of time up to the Scheduled Maturity Date of the Notes. In addition, the SERVES will be subject to transfer restrictions as described herein. See "*Purchase and Transfer Restrictions*." Such restrictions may further limit the liquidity of the SERVES.

Limited Obligations. The SERVES will be limited recourse obligations of the Issuer. Such SERVES are payable solely from the assets pledged by the Issuer to secure the SERVES. None of the Noteholders, members, officers, directors, managers or incorporators of the Issuer, the Trustee, the Collateral Administrator, the Collateral Manager, the Placement Agent, the Participant, any of their respective Affiliates or any other person or entity will be obligated to make payments on the SERVES or under the Indenture. Consequently, holders of the SERVES must rely solely on distributions on the assets pledged to secure the SERVES for payment on the SERVES. If distributions on such assets are insufficient to make payments on the SERVES, no other assets will be available for payment of the deficiency, and following realization of the Collateral pledged to secure the SERVES, the obligations of the Issuer to pay such deficiency shall be extinguished and shall not thereafter revive.

Limited Source of Funds to Pay Expenses of the Issuer. The funds available to the Issuer to pay its expenses on any Quarterly Payment Date will be limited to the Issuer Expense Cap plus any other moneys remaining after the payments described in paragraphs (2) through (7) under "*Description of the Notes — Priority of Payments — Quarterly 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 it may not be able to defend or prosecute legal proceedings brought against it or which it might otherwise bring to protect the interests of the Issuer (and therefore the holders of the SERVES) or to pay the expenses of legal proceedings against persons which the Issuer has indemnified.

Subordination. Payments of the principal of and interest on the SERVES will be subject to the Priority of Payments. Under the Priority of Payments in general and subject to the exceptions set forth therein and described below, payments on the Class B Notes will be effectively subordinated to payments on the Class A Notes and to the payment of certain fees and expenses. Payments on the Class C Notes will be effectively subordinated to payments on the Class A Notes and the Class B Notes and to the payment of such fees and expenses; payments on the Class D Notes will be effectively subordinated to payments on the Class A Notes, the Class B Notes and the Class C Notes and to the payment of such fees and expenses; and payments on the Class E Notes will be effectively subordinated to payments on all of the other Classes of Notes and to the payment of such fees and expenses; except that in the case of a mandatory redemption

in whole or in part, the Class B Notes, the Class C Notes and/or the Class D Notes will be redeemed in an amount determined by reference to the Maximum Leverage Factor prior to any redemption of the Class A Notes on such Quarterly Payment Date.

The risks of delays in payments or ultimate nonpayment of principal and/or interest will be borne disproportionately by the holders of the subordinated Notes as compared to the holders of the Classes to which such Notes are effectively subordinated. Further, the Controlling Class at a given time will be entitled to determine the remedies to be exercised (or to determine not to exercise remedies) under the Indenture if an Event of Default occurs thereunder and to exercise certain other voting rights, and may do so without considering the effect of any such action (or inaction) on the holders of any other Classes of Notes. Such determinations by the Controlling Class could be adverse to the interests of the holders of the other Classes of Notes.

Average Life of the Notes and Prepayment Considerations. The Scheduled Maturity Date of the SERVES will be August 8, 2019. The average life of each Class of Notes, other than the Class D Notes and the Class E Notes, is expected to be shorter than the term to the Scheduled Maturity Date.

The average life of each Class of Notes will be affected both by the terms of the Notes (including payment priorities and the redemption provisions) and by the financial condition of the obligors on the underlying CDO Assets and the characteristics of such CDO Assets, including the existence and frequency of exercise of any prepayment, optional redemption or sinking fund features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any defaulted securities, and the frequency of tender or exchange offers for the CDO Assets. An optional, tax or mandatory redemption of the SERVES (or the acceleration of the payment thereof as result of an Event of Default) could require the Collateral Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the obligations sold. See "*Description of the SERVES — Redemption of the SERVES*."

Adverse Effect of Determination of U.S. Business. Based on the factors discussed below, the Issuer will not be treated as engaged in a trade or business in the United States based on the safe harbor provided by Section 864(b)(2) of the Code and the Treasury regulations thereunder applying to transactions involving trading in securities by a foreign corporation for its own account. See "*Certain Federal Income Tax Considerations — Tax Treatment of the Issuer*" below. Although no activity closely comparable to that contemplated by the Issuer has been the subject of any Treasury regulation, revenue ruling or judicial decision, for purposes of this safe harbor, the permitted activities of the Issuer will constitute trading (or investing) in securities rather than a lending or financing business. (The foregoing, however, is not meant to imply that commercial loans would be considered securities outside of this context.) Accordingly, the Issuer will not be treated as engaged in the conduct of a United States trade or business and, consequently, the profits of the Issuer will not be subject to United States federal income tax on a net income basis (including the branch profits tax). This conclusion is based on certain assumptions and on certain representations and agreements regarding restrictions on the future conduct of the activities of the Issuer and the Collateral Manager. Although the Issuer intends to conduct its business in accordance with such assumptions, representations and agreements, if it were nonetheless determined that the Issuer was engaged in a United States trade or business and

had taxable income that is effectively connected with such United States trade or business, then the Issuer would be subject under the Code to the regular corporate income tax on such effectively connected taxable income and possibly to the 30% branch profits tax as well. Such taxes would reduce the amounts available to make payments to the holders of the SERVES. There can be no assurance that in such circumstance remaining payments in respect of the Collateral would be sufficient to make timely payments of interest and principal on the SERVES. In addition, interest paid on the SERVES to a holder that is not a U.S. Holder (as defined under "*Certain Federal Income Tax Considerations*") could in such circumstance be subject to a 30% United States withholding tax.

Changes in Tax Law; No Gross-Up. The Issuer expects that payments received on the CDO Assets and Eligible Investments securing the SERVES generally will not be subject to the imposition of U.S. withholding tax or reduced by withholding taxes imposed by any other country. There can be no assurance, however, that the payments on the CDO Assets or Eligible Investments, if any, will not in the future become subject to U.S. or other withholding tax as a result of a change in any applicable law, treaty, rule or regulation or interpretation thereof or other causes. Moreover, there can be no assurance that payments on the CDO Assets of obligors outside the United States will not be, or become, subject to the imposition of withholding taxes by foreign countries. In the event that any withholding tax should become applicable to payments on the CDO Assets securing the SERVES, such tax would reduce the amounts available to make payments on the SERVES. In such event, there can be no assurance that the remaining payments on the Collateral securing the SERVES would be sufficient to make timely payments of interest and principal on all of the Classes of Notes.

In the event that any withholding tax is imposed on payments of interest on any Class of Notes, the holders of such Notes will not be entitled to receive grossed-up amounts to compensate for such withholding tax.

ERISA Considerations. Although no assurances can be made, the conditions and restrictions on transfers of the SERVES set forth under "*Purchase and Transfer Restrictions*" and "*ERISA Considerations*" are intended to (a) prevent the occurrence of a "prohibited transaction" under ERISA or Section 4975 of the Code and (b) prevent the assets of the Issuer from being treated as "plan assets" as defined in ERISA for purposes of Title I of ERISA. If the assets of the Issuer, however, were deemed to constitute plan assets, (i) transactions involving such assets could be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, (ii) such assets could be subject to reporting and disclosure requirements of ERISA and (iii) the fiduciary causing a Plan to make an investment in the SERVES that constitute equity interests in the Issuer could be deemed to have delegated its responsibility to manage the assets of the Plan.

Net Proceeds less than Aggregate Amount of the SERVES. It is anticipated that the proceeds received by the Issuer on the Closing Date from the issuance of the SERVES, net of certain fees and expenses, will be less than the aggregate Outstanding Principal Amount of the SERVES. Consequently, it is anticipated that on the Closing Date the proceeds of the Collateral will be insufficient to redeem the SERVES upon the occurrence of an Event of Default on or about that date.

Credit Risk of the Holders of the Class A-1 Revolving Notes. Under the terms of the Class A-1 Revolving Note Purchase Agreement, the Issuer may, subject to certain conditions, request an advance from the holders of the Class A-1 Revolving Notes. The Issuer will be exposed to credit risk in respect of each holder of the Class A-1 Revolving Notes with regard to any funding required by the Issuer from such Noteholder. The Issuer will depend upon each holder of the Class A-1 Revolving Notes to perform its obligations under the Class A-1 Revolving Note Purchase Agreement. If a holder of Class A-1 Revolving Notes defaults or becomes unable to perform its obligations under the Class A-1 Revolving Note Purchase Agreement due to insolvency or otherwise, the Issuer may not receive payments to which it would otherwise be entitled which may affect the ability of the Issuer to invest in additional Collateral.

Each purchaser of Class A-1 Revolving Notes will be required to satisfy the Ratings Criteria and will be required to agree in its Class A-1 Revolving Note Purchase Agreement that if it at any time fails to satisfy the Ratings Criteria, it will replace itself (at its own expense) with another entity that satisfies the Ratings Criteria and the other requirements for a Permitted Transferee (as such term is defined in the Class A-1 Revolving Note Purchase Agreement) by transferring all of its rights and obligations in respect of the Class A-1 Revolving Notes to such entity. However, there can be no assurance that the holders of the Class A-1 Revolving Notes will successfully take any such action, in which event the ratings of one or more Classes of Notes could be downgraded. In addition, if a holder of Class A-1 Revolving Notes fails to successfully take any such action in such circumstances and does not fund a subsequent funding request, the Issuer will have less funds available to acquire additional CDO Assets, which could result in a reduction or delay in the timing of payments on the SERVES.

Credit Risk of the Holders of the Class A-2 Term Notes. Under the terms of the Class A-2 Term Note Purchase Agreement, the Issuer may, subject to certain conditions, request a funding from the holders of the Class A-2 Term Notes. The Issuer will be exposed to credit risk in respect of each holder of the Class A-2 Term Notes with regard to any funding required by the Issuer from such Noteholder. If a holder of Class A-2 Term Notes defaults or becomes unable to perform its obligations under the Class A-2 Term Note Purchase Agreement due to insolvency or otherwise, the Issuer may not receive payments to which it would otherwise be entitled which may affect the ability of the Issuer to invest in additional Collateral.

If the Notes Are Called for Optional Redemption, the Issuer May Be Required to Sell Collateral Under Adverse Circumstances and for Lower Realized Value. On or after the Lock-Out Date, the Notes will be subject to redemption (in whole, but not in part) at the option of the Class D Noteholders owning more than 66-2/3% of the Outstanding Principal Amount of the Class D Notes. An optional redemption of the Notes could require the Collateral Manager to liquidate positions on behalf of the Issuer more rapidly than would otherwise be desirable, which could adversely affect the realized value of the obligations sold. There can be no assurance that it will be possible for the Class D Noteholders to exercise any optional redemption of the Notes as a result of the conditions that must be satisfied in connection therewith.

If the Notes Are Called for Tax Redemption, the Issuer May Be Required to Sell Collateral Under Adverse Circumstances and for Lower Realized Value. Upon the occurrence and during the continuation of a Withholding Tax Event, the Issuer is required to redeem the

Notes in whole but not in part, if so directed in writing by the Majority of the Class D Notes and a Majority of the Class E Notes (voting separately), on any Quarterly Payment Date on which such Withholding Tax Event is continuing. A tax redemption of the Notes could require the Collateral Manager to liquidate positions on behalf of the Issuer more rapidly than would otherwise be desirable, which could adversely affect the realized value of the obligations sold.

Risks Relating to the Collateral

Nature of Collateral. The Collateral is subject to credit, liquidity and interest rate risk. The amount and nature of the Collateral securing the Notes have been established with a view to withstanding assumed deficiencies in payments occasioned by defaults in respect thereof. See "*Rating of the Notes*." If the actual deficiencies exceed the assumed levels, however, payments on the Notes could be adversely affected. To the extent that a default occurs with respect to any CDO Asset securing the Notes, it is not likely that the Issuer will receive the full amount of principal and interest owing to the Issuer in respect of such CDO Asset.

The market value of the Commercial Bank Loans generally will fluctuate with, among other things, the financial condition of the obligors of the underlying debt obligations, and, with respect to the Approved Structured Securities and the Synthetic Securities, of the obligors on or issuers of the reference obligations, the remaining term thereof to maturity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

The CDO Assets. The CDO Assets will consist of Commercial Bank Loans, Approved Structured Securities and Synthetic Securities, which in each case will be required, on the trade date for the purchase thereof (and, with respect to clause (16) under "*The CDO Portfolio — The CDO Portfolio Criteria*," at all times), to satisfy all of the CDO Portfolio Criteria and comply with the Purchase Criteria. A maximum of 5.0% of the aggregate CDO Asset Initial Amount may be invested in Approved Structured Securities. A maximum of 5.0% of the aggregate CDO Asset Initial Amount may be invested in Synthetic Securities.

Commercial Bank Loans may become nonperforming for a variety of reasons. Such non-performing Commercial Bank Loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the Commercial Bank Loans. Also, unsecured and/or subordinated Commercial Bank Loans are structurally or contractually subordinated to other obligations of the obligors thereon and, therefore, are subject to a significantly greater risk of loss in connection with any nonperforming loan. In addition, because of the unique and customized nature of a loan agreement and the private syndication of Commercial Bank Loans, certain Commercial Bank Loans may not be purchased or sold as easily as publicly traded securities, and, historically, the trading volume in the loan market has been small relative to other markets. Commercial Bank Loans may encounter trading delays due to their unique and customized nature, and transfers may require the consent of an agent bank, borrower or other parties. There can be no assurance that future levels of supply and demand in the Commercial Bank Loans market will provide an adequate degree of liquidity, that the current level of liquidity will continue or that there will be sufficient supply of eligible Commercial Bank Loans to satisfy the CDO Portfolio Criteria.

The Issuer may acquire interests in Commercial Bank Loans either directly (by way of assignment) or indirectly by way of participation or through the acquisition of Approved Structured Securities or Synthetic Securities. The Issuer will not originate Commercial Bank Loans. The purchaser by an assignment of a Commercial Bank Loan typically succeeds to all the rights and obligations of the selling institution and becomes a lender under the loan or credit agreement with respect to the debt obligation (each, an "**Assignment**"). In contrast, participation interests in one or more Commercial Bank Loans by way of a sale or assignment other than an Assignment (each, a "**Participation**") acquired by the Issuer in a portion of a debt obligation held by a selling institution (the "**Selling Institution**") typically result in a contractual relationship only with such Selling Institution, not with the obligor. Under the CDO Portfolio Criteria, up to 10% of the aggregate CDO Asset Initial Amount may be used to acquire Participations. The Issuer will have the right to receive payments of principal, interest and any fees to which it is entitled under the Participation only from the Selling Institution and only upon receipt by the Selling Institution of such payments from the obligor. In purchasing a Participation, the Issuer generally will have no right to enforce compliance by the obligor with the terms of the loan or credit agreement or other instrument evidencing such debt obligation, nor any rights of setoff against the obligor, and the Issuer may not directly benefit from the collateral supporting the debt obligation in which it has purchased the Participation. As a result, the Issuer will assume the credit risk of both the obligor and the Selling Institution. In the event of the insolvency of the Selling Institution, the Issuer may be treated as a general creditor of the Selling Institution in respect of the Participation and may not benefit from any setoff between the Selling Institution and the obligor. Other risks of insolvency may apply in the case of Selling Institutions not organized under U.S. law.

In addition, when the Issuer holds a Participation in a debt obligation, the Issuer may not have the right to vote to waive enforcement of any default by an obligor. Selling Institutions commonly reserve the right to administer the debt obligations sold by them as they see fit and to amend the documentation evidencing such debt obligations in all respects. However, most participation agreements with respect to Commercial Bank Loans provide that the Selling Institution may not vote in favor of any amendment, modification or waiver that forgives principal, interest or fees, reduces principal, interest or fees that are payable, postpones any payment of principal (whether a scheduled payment or a mandatory prepayment), interest or fees or releases any material guarantee or security without the consent of the participant (at least to the extent the participant would be affected by any such amendment, modification or waiver). A Selling Institution voting in connection with a potential waiver of a default by an obligor may have interests different from those of the Issuer (and therefore the Noteholders), and the Selling Institution might not consider the interests of the Issuer (and therefore the Noteholders) in connection with its vote. In addition, many participation agreements with respect to Commercial Bank Loans that provide voting rights to the participant further provide that, if the participant does not vote in favor of amendments, modifications or waivers, the Selling Institution may repurchase such Participation at par.

An investment by the Issuer in an Approved Structured Security involves many of the same considerations relevant to Participations. Investments in Approved Structured Securities present risks in addition to those resulting from direct purchases of Commercial Bank Loans. With respect to such instruments, the Issuer will usually have a contractual relationship only with the counterparty of such instrument, and not the reference obligor on the reference obligation.

The Issuer generally will have no right directly to enforce compliance by the reference obligor with the terms of the reference obligation, any rights of setoff against the reference obligor, or any voting or other consensual rights of ownership with respect to the reference obligation. The Issuer will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. In addition, in the event of the insolvency of the counterparty, the Issuer will be treated as a general creditor of such counterparty and will not have any claim 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 Approved Structured Securities entered into with any one counterparty will subject the Notes to an additional degree of risk with respect to defaults by such counterparty, as well as by the reference obligors.

A portion of the CDO Assets may consist of Synthetic Securities the Reference Obligations of which are related to a single obligor (or its Affiliates). Investments in such types of assets through the acquisition of Synthetic Securities present risks in addition to those resulting from direct purchases of such Reference Obligations. With respect to Synthetic Securities, the Issuer usually will have a contractual relationship only with the counterparty of such Synthetic Security and not with the Reference Obligor on the Reference Obligation unless a credit event occurs and the Synthetic Security Counterparty delivers the Reference Obligation to the Issuer. The Issuer generally will have no right directly to enforce compliance by the Reference Obligor with the terms of the Reference Obligation, no rights of set off against the Reference Obligor, and no voting or other consensual rights of ownership with respect to the Reference Obligation. Prior to any such delivery, the Issuer will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of the insolvency of the Synthetic Security Counterparty, the Issuer will be treated as a general creditor of such Synthetic Security 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. Concentrations of Synthetic Securities entered into with any one counterparty will subject the Notes to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. In addition, one or more Affiliates of the Placement Agent may act as counterparty with respect to all or a portion of the Synthetic Securities, which relationship may create certain conflicts of interest. See "*—Other Considerations—The Placement Agent*."

Source of Certain of the CDO Assets. In advance of the Closing Date, the Issuer entered into a Master Warehousing and Participation Agreement, dated May 4, 2007 (the "**Warehousing Agreement**"), among the Issuer, Bank of America, N.A. as participant (the "**Participant**") and the Collateral Manager. The Issuer, at the direction of the Collateral Manager, has acquired direct interests in commercial loans (the "**Original Warehoused Loans**") with the proceeds from the sale of participations to the Participant in such Original Warehoused Loans.

On the Closing Date, approximately 80% of the CDO Portfolio will consist of Original Warehoused Loans that were purchased from a securitization vehicle for which the Collateral Manager acted as collateral manager and with respect to which a redemption has recently occurred. The initial purchase prices for these Original Warehoused Loans (other than with

respect to certain agreed upon exceptions) were determined by reference to the mid-market price obtained from a third-party pricing service on May 4, 2007.

Pursuant to the Warehousing Agreement, the Issuer has granted the Participant a 100% participation interest in each Original Warehoused Loan and the Participant is entitled to receive all payments, including interest, made with respect to the Original Warehoused Loans. Under certain circumstances, Original Warehoused Loans may be sold prior to the Closing Date. On the Closing Date, the Issuer will repurchase from the Participant, with the net proceeds deposited in the Principal Collateral Account, the Original Warehoused Loan participations at a price equal to the Repurchase Price (which may be significantly different from the market prices as of the Closing Date). "**Repurchase Price**" means, with respect to any participation in an Original Warehoused Loan, (a) the initial purchase price of such Original Warehoused Loan less (b) the aggregate amount of any payment of principal received by the Participant in respect of the underlying Original Warehoused Loan plus (c) any accrued and unpaid interest, any unpaid facility fees and the aggregate principal amount of additional loans in respect of the underlying Original Warehoused Loan made to the obligor and funded by the Participant; *provided*, *however*, that any accrued interest will be payable to the Participant when such interest is paid by the related obligor to the Issuer. All rights of the Participant under the Indenture will terminate upon the payment to the Participant of payments due under the Warehousing Agreement. On the Closing Date the Collateral Manager will be entitled to receive a fee set forth in the Warehousing Agreement.

There can be no assurance that the market value of any CDO Assets acquired by the Issuer prior to the Closing Date will, on the Closing Date, be equal to or greater than the initial purchase 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 CDO Assets, 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 CDO Assets acquired during this pre-closing period. To the extent that any losses are suffered on the CDO Assets acquired by the Issuer prior to the Closing Date, such losses will be borne by the holders of the Notes.

The initial holders of the Notes, by acquisition of their Notes, will be deemed to have received disclosure in writing of and to have consented to the addition of the Original Warehoused Loans to the CDO Portfolio (all in accordance with the Investment Advisers Act, to the extent applicable) and to the procedures described above for determining the CDO Asset Initial Prices with respect thereto. Upon request of any initial holder (or prospective initial holder) of Notes, the Collateral Manager or the Placement Agent will supply a list of the CDO Assets priced under the arrangements set forth above. See "*The Warehousing Agreement*."

Insolvency of Obligors Under Commercial Bank Loans. Various insolvency and related laws applicable to obligors under Commercial Bank Loans may limit the amount the Issuer may recover upon the insolvency of such obligors. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a U.S. obligor under a Commercial Bank Loan, such as a trustee in bankruptcy, were to find that the obligor did not receive fair consideration or

reasonably equivalent value for incurring the indebtedness constituting the Commercial Bank Loan and, after giving effect to such indebtedness, the obligor (a) was insolvent, (b) was engaged in a business for which the remaining assets of such obligor constituted unreasonably small capital or (c) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the obligor or to recover amounts previously paid by the obligor in satisfaction of such indebtedness. The measure of insolvency for this purpose varies. Generally, an obligor would be considered insolvent at a particular time if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the obligor was "insolvent" after giving effect to the incurrence of the indebtedness constituting the Commercial Bank Loan or that, regardless of the method of valuation, a court would not determine that the obligor was "insolvent" upon giving effect to such incurrence. In addition, in the event of the insolvency of an obligor under a Commercial Bank Loan, payments made on such Commercial Bank Loan could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency.

In general, if payments on a Commercial Bank Loan are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Issuer) or from subsequent transferees of such payments (such as the holders of the Notes). To the extent that any such payments are recaptured from the Issuer, the resulting loss will be borne in the first instance by the holders of the Classes of Notes, in each case in accordance with their respective priorities as described herein. 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 voidable 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 voidable. Nevertheless, since there is no judicial precedent relating to a structured transaction such as that involving the issuance of the Notes, there can be no assurance that a holder of such securities will be able to avoid recapture on this or any other basis.

The preceding description applies only to obligors under Commercial Bank Loans organized in the United States. Other risks of insolvency may apply in the case of obligors not organized under U.S. law.

Lender Liability Considerations; Equitable Subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively termed "**lender liability**"). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Because of the nature of the portfolio of CDO Assets, the Issuer may be subject

to allegations of lender liability. However, the Collateral Manager does not intend to engage in conduct that would form the basis for a successful cause of action based upon 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 an obligor to the detriment of other creditors of such obligor, (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 an obligor to the detriment of other creditors of such obligor, 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 the nature of the CDO Assets, the Issuer may be subject to claims from creditors of an obligor that debt obligations issued by such obligor that are held by the Issuer should be equitably subordinated.

In a decision handed down in the matter of Enron Corp. v. Avenue Special Situations Fund, II, LP (In re Enron Corp.), 333 B.R. 205 (Bankr.S.D.N.Y.2005), the bankruptcy court denied a motion to dismiss the debtors' request for the equitable subordination of claims against the estate based on outstanding loans made by certain financial institutions to the debtors. These financial institutions are accused by the debtors of engaging in inequitable conduct related to prepaid forward contracts. In its ruling, the court held that (a) equitable subordination was available to the debtors even though the loans were unrelated to inequitable conduct, and (b) equitable subordination of these claims was available to the debtors against subsequent transferees of the claims, even if they had no specific notice of the debtors' planned assertion of an equitable subordination remedy against the transferor of such claims. Further, in Enron Corp. v. Avenue Special Situations Fund, II, LP (In re Enron Corp.), 340 B.R. 180 (Bankr.S.D.N.Y.2006), the bankruptcy court denied a similar motion to dismiss the debtors' request for disallowance of claims asserted by third-party transferees of certain lenders to the debtors. In this action, the Enron debtors sought to disallow claims to the extent originated by a lender that had failed to turnover property potentially subject to an avoidance attack. In denying the motion to dismiss, the bankruptcy court ruled that if a claim by a transferor lender is disallowed, such disallowance should apply to the same extent to a transferee. Subsequently, however, in In re Enron, 2006 WL 2548592 (S.D.N.Y.2006), the district court granted the appellants' requested leave to file an interlocutory appeal from the above orders denying their motions to dismiss claims for equitable subordination and disallowance. Accordingly, in the event that the Enron debtors prevail on the appeal and these rulings are applicable to the Issuer, if the Issuer were to purchase a loan from a seller that would be subject to equitable subordination or disallowance by the applicable debtor (as a result of the seller's actions or the actions of a prior holder), then the Issuer's claims under the loan could also be equitably subordinated or disallowed, which could materially impair the value of the loan.

The preceding discussion is based upon principles of U.S. federal and state laws. Insofar as debt obligations issued by non-U.S. issuers 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 U.S. federal and state laws.

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

International Investing. Under the CDO Portfolio Criteria, obligors domiciled outside the United States may constitute up to 10% of the aggregated CDO Asset Initial Amount. Investing outside the United States may involve greater risks than investing in the United States. These risks include: (a) less publicly available information; (b) varying levels of governmental regulation and supervision; and (c) the difficulty of enforcing legal rights in a foreign jurisdiction and the uncertainties as to the status, interpretation and application of laws. Moreover, foreign companies are generally not subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

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

Foreign markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of loan or securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when assets of the Issuer are uninvested and only a limited return is earned thereon. The inability of the Issuer to make intended CDO Asset purchases due to settlement problems or the risk of intermediary counterparty failures could cause the Issuer to miss investment opportunities. The inability to dispose of a CDO Asset due to settlement problems could result either in losses to the Issuer due to subsequent declines in the value of such CDO Asset or, if the Issuer has entered into a contract to sell the security, could result in possible liability to the purchaser.

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

There Will Be Mismatches Between the Interest Rates on the Floating Rate CDO Assets and on the Notes. The Notes generally will bear interest at a rate based on three-month LIBOR,

as determined on each LIBOR Determination Date. Floating Rate CDO Assets will bear interest based on any of the London interbank offered rate, the certificate of deposit rate, a prime rate, or base rate, or some other index, which may be reset daily (as most prime or base rate loans are), weekly, or at some other interval or offer the obligor a choice of one-, two-, three-, six-, nine- or twelve-month interest periods. Certain CDO Assets also may have reductions in spreads if the obligors meet certain financial benchmarks set forth in the loan agreements. Accordingly, the Notes will be subject to interest rate risk to the extent that there is a mismatch between (1) the interest accrued on the Notes versus the interest received on the CDO Assets, (2) the rate at which interest accrues on the Notes versus the interest received on the CDO Assets, (3) the LIBOR of the Notes and the London interbank offered rate or index on which the interest rates on the CDO Assets are based and (4) the reset dates of the LIBOR of the Notes and the reset dates of the London interbank offered rate or index of the CDO Assets. Furthermore, there will be differences in the Distribution Period applicable to the Notes and the interest accrual period applicable to the CDO Assets. In addition, any payments of principal of or interest on CDO Assets received during a Distribution Period and not immediately invested in other CDO Assets will be reinvested in Eligible Investments. There will be no requirement that Eligible Investments bear interest at LIBOR, and the interest rates available for Eligible Investments are inherently uncertain. The Issuer will not enter into any interest rate swap, cap or other arrangement to hedge its exposure to interest rate movements.

Other Considerations

The Issuer. The Issuer is a newly-formed entity and has no prior operating history or prior business experience (other than pursuant to the Warehousing Agreement). The Issuer will have no significant assets other than the CDO Assets and Eligible Investments and its rights under the Collateral Management Agreement. The Issuer will not engage in any business activity other than the issuance of the SERVES as described herein, the acquisition of, and investment in, CDO Assets and Eligible Investments as described herein, the entering into and performance of its obligations (including making payments) under the Collateral Management Agreement and placement and subscription agreements as may be necessary in connection with the offering and sale of the Notes, fulfilling its obligations under the Warehousing Agreement, certain activities conducted in connection with the payment of amounts in respect of the SERVES and the management of the Collateral and other activities incidental to the foregoing. Cash flow derived from the Collateral will be the only source of funds available to make payments on the Notes. The Issuer is an exempted company with limited liability organized under the laws of the Cayman Islands. Because the Issuer is a Cayman Islands company, it may not be possible for investors to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the United States securities laws.

Investment Company Act. The Issuer has not registered with the United States Securities and Exchange Commission (the "**SEC**") as an investment company pursuant to the Investment Company Act, in reliance on an exclusion therefore for investment companies organized under the laws of a jurisdiction other than the United States or any state thereof (a) whose investors resident in the United States are solely "qualified purchasers" (within the meaning given to such term in the Investment Company Act and the regulations of the SEC thereunder) with respect to the Issuer or certain transferees thereof identified in Rule 3c-6 under the Investment Company Act and (b) which do not make a public offering of their securities in the United States. U.S.

counsel for the Issuer will opine, in connection with the sale of the SERVES by the Placement Agent, that the Issuer is not, on the Closing Date, an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the SERVES are sold by the Placement Agent in accordance with the terms of the Purchase Agreements). No opinion or no-action position has been requested of the SEC.

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

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

Certain Conflicts of Interest Regarding the Collateral Manager. (References in this section to the Collateral Manager include the Affiliates of the Collateral Manager unless otherwise specified or the context otherwise requires.) The Collateral Manager manages investments for clients other than the Issuer, including entities similar to the Issuer that issue collateralized debt obligations similar to the Notes and that invest in debt obligations that are the same as the CDO Assets, and with the same or similar objectives as the Issuer. Thus, the Collateral Manager may, at the same or approximately the same time, buy or sell for such clients debt obligations it also buys or sells for the Issuer. In that case, the Collateral Manager will seek to allocate such purchases and sales to such clients and the Issuer on a basis it considers equitable in light of the prevailing circumstances. The Collateral Manager also may purchase debt obligations for other clients that are senior to, or have interests adverse to, those it buys or sells for the Issuer.

Alternatively, the Collateral Manager may buy or sell for its clients a debt obligation that it does not buy or sell for the Issuer, even though the debt obligation is eligible to be bought or sold by the Issuer, if the Collateral Manager believes the circumstances warrant. The Collateral Manager might have an incentive to favor such other clients over the Issuer, because the Collateral Manager may have a larger direct or indirect investment in such other clients, have business relationships with those clients or persons associated with them, or be paid a higher level of fees by those clients. The Collateral Manager will endeavor not to favor any client over the Issuer, but there can be no assurance in this regard. In addition, the Collateral Manager may buy for a client a debt obligation that it sells for the Issuer, or vice versa, due to differing investment objectives or other factors. In such cases, the Collateral Manager may arrange for the client and the Issuer to be seller and buyer to each other.

The Collateral Manager will not direct the Trustee to purchase any debt obligation to be included in the Collateral from the Collateral Manager or any of its Affiliates as principal or to sell an item of Collateral to the Collateral Manager or any of its Affiliates as principal if such purchase or sale would be in violation of the Advisers Act. In addition, any such purchase or sale will be effected in a transaction involving a third party dealer on terms that would be representative of a transaction entered into on an arm's-length basis, at fair market prices. The Collateral Manager will not direct the Trustee to purchase any debt obligation for inclusion in the Collateral from any account or portfolio for which the Collateral Manager or any of its Affiliates serve as investment advisor, or direct the Trustee to sell an item of Collateral to any account or portfolio for which the Collateral Manager or any of its Affiliates serve as investment advisor which would, in either case, be in violation of the Advisers Act. In addition, any such purchase or sale with an account or portfolio for which the Collateral Manager or an Affiliate serves as advisor will be effected in a transaction involving a third party dealer on terms that would be representative of a transaction entered into on an arm's-length basis, at fair market prices.

Because the Collateral Manager will have clients similar to the Issuer, its employees will not devote their full time to the Issuer, and there might be conflicts in the allocation of their time to the Issuer and those clients.

The Collateral Manager will use commercially reasonable efforts to obtain the best prices and execution for all orders placed with respect to the CDO Assets, considering all circumstances and all factors it deems relevant, including, without limitation, the size of the transaction, the nature of the market for such obligation, timing, general market trends, the reputation and experience of the broker or dealer involved, and subject to such objective of using commercially reasonable efforts to obtain best prices and execution, the Collateral Manager may take into consideration research and other brokerage services furnished to the Collateral Manager or its Affiliates, without having to demonstrate whether such factors are a benefit to the Issuer. Such services may be used by the Collateral Manager or its Affiliates in connection with its other advisory activities or investment operations. The Collateral Manager may aggregate sales and purchase orders of securities placed with respect to the CDO Assets with similar orders being made simultaneously for other accounts managed by the Collateral Manager or its Affiliates, if in the Collateral Manager's reasonable business judgment such aggregation will result in an overall economic benefit to the Issuer (taking into consideration, among other things, the selling or purchase price, brokerage commission and other expenses). The determination of any economic benefit by the Collateral Manager is subjective and represents the Collateral Manager's

evaluation at the time of the effect on the Issuer of sale prices, lower commission expenses and timing of transactions, or a combination of these and other factors.

The Collateral Manager may have a financial or other interest in obligors of debt obligations that the Collateral Manager buys for the Issuer, and thus may have a direct or indirect incentive to make those purchases.

Deerfield, its Affiliates or clients, funds or accounts for which Deerfield or its Affiliates acts as investment advisor may at times own Notes. At any given time, the Collateral Manager will not be entitled to vote any Collateral Manager Securities with respect to matters relating to the termination of the Collateral Manager. However, at any given time the Collateral Manager will be entitled to vote Collateral Manager Securities with respect to all other matters. In its capacity as a holder of Notes, the Collateral Manager (or any Affiliate) may act in a manner which it determines to be in its best interests without regard to the effect on other holders of Notes.

The Collateral Manager will be entitled to receive the Primary Collateral Management Fee, the Secondary Collateral Management Fee and the Incentive Collateral Management Fee, as further described herein. The structure of such fees may cause the Collateral Manager to direct the Issuer to make more speculative investments in CDO Assets than it would otherwise make in the absence of such performance based compensation or such interest.

Restructuring of the Collateral Manager. On April 20, 2007, Triarc Companies, Inc. ("**Triarc**") announced that a definitive agreement had been entered into pursuant to which Deerfield Triarc Capital Corp. ("**DFR**"), a diversified financial company that is externally managed by the Collateral Manager, will acquire Deerfield & Company ("**D&C**"), a holding company that owns 100% of the Collateral Manager (the "**DFR Transaction**"). Triarc is a publicly traded holding company listed on the New York Stock Exchange that currently owns an approximate 64% capital interest in D&C and currently controls in excess of 90% of the voting power of D&C. Senior management of the Collateral Manager or their Affiliates currently own and control the balance of the economic and voting interests in D&C.

The transaction, which is expected to close during the 2007 third quarter, is subject to customary closing conditions, including, without limitation, the receipt by DFR of financing for the cash portion of the purchase price and related transaction costs, receipt of certain third party consents and other conditions set forth in the definitive agreement, including the expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. In addition, the transaction is subject to approval by DFR stockholders representing (1) a majority of the votes cast at a meeting to approve the transaction and (2) a majority of the votes cast by stockholders not affiliated with D&C. A stockholders' vote on the proposed transaction is expected to be held during the 2007 third quarter.

It is anticipated that if the acquisition of D&C is consummated, Deerfield will continue to be the Collateral Manager under the Collateral Management Agreement without any further action by the Collateral Manager, the Issuer, the Trustee, the holders of the Notes, the Rating Agency or any other person or entity. On or prior to the Closing Date, the Issuer intends to consent to the deemed assignment of the Collateral Management Agreement. There can be no

assurance that the current employees of the Collateral Manager to whom the task of selecting and monitoring the Collateral has been assigned will continue to be employed by the Collateral Manager during the life of the transaction. See "*The Collateral Manager*," "*The Collateral Management Agreement*" and "*—The Issuer Will Be Highly Dependent on Key Personnel of the Collateral Manager*."

The Issuer Will Be Highly Dependent on Key Personnel of the Collateral Manager. The performance of the CDO Portfolio depends heavily on the skills of the Collateral Manager in analyzing and selecting the CDO Assets. As a result, the Issuer will be highly dependent on the financial and managerial experience of the Collateral Manager and certain of the employees of the Collateral Manager to whom the task of selecting and monitoring the Collateral has been assigned or delegated. Certain employment arrangements between those employees and the Collateral Manager may exist, but the Issuer is not, and will not be, a direct beneficiary of such arrangements, which arrangements are in any event subject to change without the consent of the Issuer. The loss of one or more individuals employed by the Collateral Manager to manage the Issuer's investments could have a significant adverse effect on the performance of the Issuer if suitable replacements are not hired or otherwise available to perform such functions. The announcement or consummation of the DFR Transaction may result in the loss of one or more of the employees of the Collateral Manager listed in this Private Placement Memorandum. See "*The Collateral Manager*," "*The Collateral Management Agreement*" and "*—Restructuring of the Collateral Manager*."

The Indenture and the Collateral Management Agreement Place Significant Restrictions on the Collateral Manager's Ability to Advise the Issuer. The Indenture and the Collateral Management Agreement place significant restrictions on the Collateral Manager's ability to advise the Issuer to acquire and dispose of CDO Assets, and the Collateral Manager is subject to compliance with the Indenture and the Collateral Management Agreement. Accordingly, during certain periods or in certain specified circumstances, the Issuer may be unable to buy or sell CDO Assets or to take other actions which the Collateral Manager might consider in the interests of the Issuer and the holders of Notes, as a result of the restrictions contained in the Indenture and Collateral Management Agreement.

The Performance History of the Collateral Manager's Personnel May Not Be Indicative of Future Results. 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 CDO Assets. 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 places significant restrictions on the Collateral Manager's ability to acquire and dispose of 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 acquire or dispose of CDO Assets or to take other actions with respect to the CDO Portfolio 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.

The Placement Agent. The activities of the Placement Agent and its Affiliates may result in certain conflicts of interest. Banc of America Securities LLC will act as the Placement Agent for the SERVES. Certain of the CDO Assets acquired by the Issuer will be obligations of borrowers or issuers for which the Placement Agent or one of its Affiliates has acted as structuring or syndication agent, manager, underwriter, agent, placement agent or principal or of which the Placement Agent or one of its Affiliates may be an equity owner.

The Collateral Manager may acquire or dispose of CDO Assets from time to time through the Placement Agent or an Affiliate thereof at market prices. The Placement Agent or one or more of its Affiliates may also act as counterparty with respect to one or more Synthetic Securities or Approved Structured Securities and/or as a Selling Institution with respect to loan participations. See also "*The Warehousing Agreement*."

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. Accordingly, supplemental indentures that result in material and adverse changes to the interests of holders of the Notes may be approved without the consent of all of the holders adversely affected. See "*The Indenture — Supplemental Indentures*."

Removal of the Collateral Manager. The Collateral Manager may be removed at any time with or without cause and replaced with a replacement Collateral Manager under the circumstances described under "*The Collateral Management Agreement*." A replacement Collateral Manager may be appointed by the Issuer without obtaining the consent of each holder of the outstanding Notes.

Money Laundering Prevention. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "**USA PATRIOT Act**"), effective as of October 26, 2001, requires that financial institutions, a term that includes banks, broker-dealers and investment companies, establish and maintain compliance programs to guard against money laundering activities. The USA PATRIOT Act requires the Secretary of the U.S. Treasury ("**Treasury**") to prescribe regulations in connection

with anti-money laundering policies of financial institutions. The Federal Reserve Board, the Treasury and the SEC are currently studying what types of investment vehicles should be required to adopt anti-money laundering procedures, and it is unclear at this time whether such procedures will apply to pooled investment vehicles such as the Issuer. It is possible that there could be promulgated legislation or regulations that would require the Issuer, the Placement Agent or other service providers to the Issuer, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the SERVES. Such legislation and/or regulations could require the Issuer to implement additional restrictions on the transfer of the SERVES or interests therein. The Issuer reserves the right to request such information as is necessary to verify the identity of investors in the SERVES and the source of the payment of subscription moneys, or as is necessary to comply with any customer identification programs required by Financial Crimes Enforcement Network and/or the SEC. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of SERVES or interests therein and the subscription moneys relating thereto may be refused. In connection with the establishment of anti-money laundering procedures, the Issuer may implement additional restrictions on the transfer of SERVES.

The Issuer is also subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Criminal Conduct Law (2001 Revision) (enacted in the Cayman Islands) (the "**PCCL**"). Pursuant to the PCCL, the Cayman Islands government enacted The Money Laundering Regulations, 2000 (of the Cayman Islands) which impose specific requirements with respect to the obligation "to know your client." Except in relation to certain categories of institutional investors, the Issuer will require a detailed verification of each investor's identity and the source of the payment used by such investor for purchasing the SERVES in a manner similar to the obligations imposed under the laws of other major financial centers. In addition, if any person who is resident in the Cayman Islands has a suspicion that a payment to the Issuer (by way of investment or otherwise) contains the proceeds of criminal conduct, that person must report such suspicion to the Cayman Island authorities pursuant to the PCCL. If the Issuer were determined by the Cayman Islands government to be in violation of the PCCL or The Money Laundering Regulations, 2000, the Issuer could be subject to substantial criminal penalties. Such a violation could materially adversely affect the timing of payments by the Issuer to the holders of the SERVES.

THE ISSUER

Bryn Mawr CLO II Ltd., the Issuer, was incorporated as an exempted company with limited liability in the Cayman Islands on May 2, 2007, for the express purpose of issuing the Notes, acquiring and holding the assets described herein and engaging in the related transactions contemplated hereby. The registered office of the Issuer is located at P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Issuer's authorized share capital is U.S.$50,000 and consists of 50,000 ordinary shares ("**Ordinary Shares**") of U.S.$1.00 par each. As of the Closing Date, the issued share capital of the Issuer will be 250 Ordinary Shares all of which are fully paid-up. All of the issued and outstanding Ordinary Shares of the Issuer will be held by Maples Finance in trust for the benefit of certain charitable entities.

The Directors of the Issuer are responsible for the management and administration of the Issuer. As of the date hereof, the Directors of the Issuer are Andrew Dean and Christopher Watler.

The Issuer will not undertake any activities other than issuing the Notes, investing and reinvesting the proceeds from the sale of the Notes in CDO Assets and Eligible Investments, entering into the Collateral Management Agreement with the Collateral Manager, entering into such placement or subscription agreements as may be necessary in connection with the offering and sale of the Notes from time to time, fulfilling its obligations under the Warehousing Agreement, and engaging in such other activities which are necessary, suitable or convenient to accomplish the foregoing, all as described in this Private Placement Memorandum and in accordance with the Indenture and the Formation Documents of the Issuer. Payments received in respect of the Collateral will be the only source of moneys for the Issuer for the payment of the Notes.

The Notes will be limited recourse obligations only of the Issuer and will not be obligations of the Trustee, the Collateral Administrator, the Placement Agent, the Collateral Manager, the Participant or any of their respective Affiliates or any directors, officers, incorporator or shareholder of the Issuer.

The Issuer will submit to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City for all purposes in connection with this transaction and the Basic Documents and has designated the Trustee to accept service of any process on its behalf.

DESCRIPTION OF THE SERVES

The following summary generally describes certain provisions of the SERVES. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Notes and the Indenture, each of which is incorporated herein by reference.

General

The Notes will be issued pursuant to an indenture, dated as of the Closing Date (the "**Indenture**"), between the Issuer and the Trustee. Deutsche Bank Trust Company Americas will be the Trustee under the Indenture. Deutsche Bank Trust Company Americas is a New York banking corporation, and its Corporate Trust Office is located at 1761 East St. Andrew Place, Santa Ana, California 92705.

The Indenture will provide for the issuance of seven Classes of Notes: (1) U.S.$126,000,000 aggregate principal amount of Class A-1 Revolving Notes due August 8, 2019 (the "**Class A-1 Revolving Notes**"), (2) U.S.$250,000,000 aggregate principal amount of Class A-2 Term Notes due August 8, 2019 (the "**Class A-2 Term Notes**"), (3) U.S.$20,000,000 aggregate principal amount of Class B Notes due August 8, 2019 (the "**Class B Notes**"), (4) U.S.$40,223,000 aggregate principal amount of Class C Notes due August 8, 2019 (the "**Class C Notes**"), (5) U.S.$27,865,000 aggregate principal amount of Class D Notes due August 8, 2019 (the "**Class D Notes**"), (6) U.S.$900,000 aggregate principal amount of Class E-1 Notes due

August 8, 2019 (the "**Class E-1 Notes**") and (7) U.S.$900,000 aggregate principal amount of Class E-2 Notes due August 8, 2019 (the "**Class E-2 Notes**").

Upon the occurrence of a Threshold Value Event and subject to the consent of the Majority Controlling Class Noteholders, the existing holders of any Class of Notes will have the opportunity to acquire additional Class E Notes to cure the Threshold Value Event. See "— *Additional Issuance of Class E Notes to Cure Threshold Value Event*."

The Class E Notes will be subordinate in payment priority to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes. The Class D Notes will be subordinate in payment priority to the Class A Notes, the Class B Notes and the Class C Notes. The Class C Notes will be subordinate in payment priority to the Class A Notes and the Class B Notes. The Class B Notes will be subordinate in payment priority to the Class A Notes. The Class E-1 Notes and the Class E-2 Notes will rank *pari passu* between themselves and, except as otherwise noted below, the Class A-1 Revolving Notes and the Class A-2 Term Notes will rank *pari passu* between themselves. See "— *Priority of Payments*."

The Notes

The interest rate on the Class A Notes (the "**Class A Note Rate**") will be (a) for the period from the Closing Date to, but excluding, August 8, 2013, LIBOR plus 0.30% and (b) for the period from, and including, August 8, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 0.60%. The interest rate on the Class B Notes (the "**Class B Note Rate**") will be LIBOR plus 0.90%. The interest rate on the Class C Notes (the "**Class C Note Rate**") will be LIBOR plus 1.60%. The interest rate on the Class D Notes (the "**Class D Note Rate**") will be (a) for the period from the Closing Date to, but excluding, August 8, 2013, LIBOR plus 4.00% and (b) for the period from, and including, August 8, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 1.50%. The holders of the Class D Notes will also be entitled to receive additional interest during the period described in (b) above at the rate of 2.50% (the "**Class D Note Additional Interest Rate**"); *provided* that the Issuer will pay such additional interest only if certain conditions described herein are satisfied. The interest rate on the Class E Notes (the "**Class E Note Rate**") will be LIBOR plus 5.00%. In addition to the payment of interest at the rates described above, the holders of the Class D Notes and the Class E Notes will be entitled to additional payments described herein if certain conditions are satisfied. See "— *Priority of Payments*."

Interest will be payable on the Notes, in arrears, on each Quarterly Payment Date and on the Maturity Date. Interest will accrue from each Quarterly Payment Date (or the Closing Date in the case of the first Quarterly Payment Date) to, but excluding, the next Quarterly Payment Date (each, a "**Distribution Period**"). Interest will be payable on each Quarterly Payment Date to the holders of the Notes as of the related record date, which will be the Business Day preceding such Quarterly Payment Date. Interest will accrue during each Distribution Period on the basis of the actual number of days in the Distribution Period, divided by 360. Interest on any Borrowing under the Class A-1 Revolving Note shall accrue (i) in respect of the Distribution Period during which the Borrowing is made, from (and including) the date on which such Borrowing is made to (but excluding) the earlier of the date on which such Borrowing is repaid and the last day of such Distribution Period and (ii) in respect of any Borrowing outstanding on

the first day of any Distribution Period, from the first day of such Distribution Period to the earlier of the date on which such Borrowing is repaid and the last day of such Distribution Period. Interest on any Funding under the Class A-2 Term Note, with respect to the initial Distribution Period with respect to such Funding, shall accrue from (and including) the date on which such Funding is made to (but excluding) the last day of such Distribution Period.

The Outstanding Principal Amount of all the Notes is required to be repaid on the earliest to occur of (i) the Scheduled Maturity Date, (ii) the date on which the remaining Notes are redeemed in whole, and (iii) the date on which the Notes are declared due and payable as a result of the occurrence of an Event of Default under the Indenture (collectively, the "**Maturity Date**"). On the Maturity Date, the Trustee will apply the moneys then held under the Indenture to make the payments and distributions described under "*— Priority of Payments — Maturity Date Priority of Payments*."

Purchases of Initial Notes

On the Closing Date, each of the initial purchasers of Notes will, unless otherwise specified by the Indenture, execute a Purchase Agreement with the Issuer (each, a "**Purchase Agreement**") and an Investment Letter. Under the Purchase Agreements, the initial purchasers will commit to purchase, from time to time, the full amount of the Notes, at a price equal to 100% of the principal amount thereof, in the amounts and on the dates set forth therein and in the Indenture. Purchases will be required to be made on the Closing Date in the aggregate principal amount of U.S.$20,000,000 of the Class B Notes, U.S.$40,223,000 of the Class C Notes, U.S.$27,865,000 of the Class D Notes, U.S.$900,000 of the Class E-1 Notes and U.S.$900,000 of the Class E-2 Notes. The purchase price of the Class A-1 Revolving Notes and the Class A-2 Term Notes will be the respective funded amounts thereof. The funded amount of the Class A-1 Revolving Notes is expected to be U.S.$0 on the Closing Date and the funded amount of the Class A-2 Term Notes is expected to be U.S.$137,275,000 on the Closing Date.

The Class A-1 Revolving Notes

Class A-1 Revolving Note Purchase Agreements. Pursuant to one or more Purchase Agreements to be entered into on the Closing Date by and among the Issuer, the Class A Notes Agent and the holders of the Class A-1 Revolving Notes (each a "**Class A-1 Revolving Note Purchase Agreement**") and subject to compliance with certain borrowing conditions specified therein, the Issuer may request advances, repay such advances and then reborrow amounts from the holders of the Class A-1 Revolving Notes, and the holders of the Class A-1 Revolving Notes will agree to make such advances to the Issuer in an aggregate principal amount at any one time outstanding of up to the full amount of their Commitments in respect of the Class A-1 Revolving Notes.

"**Commitments**" in respect of the Class A-1 Revolving Notes shall mean, at any time, the maximum aggregate outstanding principal amount of advances (whether at the time funded or unfunded) that the holder of such Class A-1 Revolving Notes is obligated from time to time under the Class A-1 Revolving Note Purchase Agreement to make to the Issuer. The aggregate of all Commitments equals U.S.$126,000,000.

Borrowings. Subject to compliance with certain borrowing conditions specified in the Class A-1 Revolving Note Purchase Agreement, the Issuer (acting at the direction of the Collateral Manager) or the Collateral Manager (on behalf of the Issuer) may request an advance under the Class A-1 Revolving Notes to be made on any Business Day, and the holders of the Class A-1 Revolving Notes shall make such advance to the Issuer (each advance made, a "**Borrowing**" and the date of any such Borrowing, a "**Borrowing Date**"). The aggregate amount of Borrowings under the Class A-1 Revolving Notes may not exceed the aggregate amount of Commitments, and the amount of each Borrowing will be equal to the lesser of (a) U.S.$250,000 and integral multiples of U.S.$50,000 in excess thereof and (b) the undrawn amount of the Commitments for all the Class A-1 Revolving Notes as of the related Borrowing Date. It shall be a further condition to such Borrowing that, at the time of and immediately after giving effect to such Borrowing, no Default (other than a Default that is administrative or technical in nature) or Event of Default shall have occurred and be continuing. The holders of the Class A-1 Revolving Notes will be obligated to make advances to the Issuer if the proceeds of the related Borrowing are to be used by the Issuer for the purposes of (w) acquiring CDO Assets prior to the Note Amortization Period (*provided* that the aggregate CDO Asset Initial Amounts of CDO Assets at any one time does not exceed U.S.$400,000,000), (x) making payments and distributions pursuant to paragraphs (1) through (11) of the Quarterly Priority of Payments if the Eligible Investments credited to the Interest Collateral Account and the Principal Collateral Account are insufficient to make such payments (after payment of any Warehousing Payments on such date under the Indenture), (y) funding delayed funding amounts and credit lines relating to delayed draw down term loans and revolving credit facilities, as applicable, included in the CDO Assets and (z) making payments under any Synthetic Security. At all times, the sum of (i) the aggregate amounts on deposit in each of the Synthetic Security Counterparty Accounts and (ii) undrawn Commitments under the Class A-1 Revolving Notes (that have not been allocated to cover unfunded amounts of revolving credit facilities and delayed draw terms loans) shall be at least equal to or greater than the aggregate CDO Asset Amount for all Synthetic Securities with respect to which the Issuer is the protection seller. For the avoidance of doubt, at all times, the undrawn Commitments under the Class A-1 Revolving Notes must equal or exceed the sum of (i) the aggregate CDO Asset Amount for all Synthetic Securities with respect to which the Issuer is the protection seller (minus any amounts on deposit in the Synthetic Security Counterparty Accounts) and (ii) unfunded amounts of any revolving credit facilities and delayed draw term loans.

Repayment of the Class A-1 Revolving Notes. The Class A-1 Revolving Notes may be repaid (in whole or in part) at the option of the Issuer (at the direction of the Collateral Manager) from the liquidation of Eligible Investments in the Principal Collateral Account on any Business Day; *provided*, that the related Break Funding Amount, if any, shall be payable in accordance with the Quarterly Priority of Payments or the Maturity Date Priority of Payments, as applicable.

The Class A-1 Revolving Notes are also subject to repayment in accordance with the Priority of Payments as described herein in connection with a mandatory redemption of the Notes.

The Issuer will make all repayments or redemptions of the Class A-1 Revolving Notes *pro rata*, based on the aggregate Outstanding Principal Amount of the Class A-1 Revolving Notes. Except as otherwise expressly provided, any references herein to the Outstanding

Principal Amount of the Class A-1 Revolving Notes shall refer to the amounts actually advanced by the holders thereof to the Issuer as of such date and which have not yet been repaid to such holders. Notwithstanding any repayment or redemption made by the Issuer with respect to the Class A-1 Revolving Notes, the Commitment shall not be reduced.

Ratings Criteria. Each purchaser of Class A-1 Revolving Notes will be required to satisfy the Ratings Criteria and will be required to agree in its Class A-1 Revolving Note Purchase Agreement that if it at any time fails to satisfy the Ratings Criteria, it will replace itself (at its own expense) with another entity that satisfies the Ratings Criteria and the other requirements for a Permitted Transferee (as such term is defined in the Class A-1 Revolving Note Purchase Agreement) by transferring all of its rights and obligations in respect of the Class A-1 Revolving Notes to such entity.

The "**Ratings Criteria**" will be satisfied on any date with respect to any purchaser of Class A-1 Revolving Notes if: (i) the short-term debt, deposit or similar obligations of such purchaser are on such date rated at least "F1" (and, if rated "F1," such short-term rating is not on credit watch for downgrade) by Fitch; (ii) such purchaser's obligations under the Class A-1 Revolving Note Purchase Agreement and the Class A-1 Revolving Notes are guaranteed by an entity (in a form of guaranty satisfying the Rating Agency Condition) that meets the Ratings Criteria set forth in (i) above; (iii) such purchaser (a "**Pledging Noteholder**") secures its obligation to make Commitments under the Class A-1 Revolving Notes by depositing as cash collateral, on the date of its purchase of Class A-1 Revolving Notes (or such later date on which it becomes a Pledging Noteholder), into an account with the Trustee (a "**Revolving Notes Pledge Account**") established and maintained at the expense of the Pledging Noteholder, an amount of cash equal to the undrawn amount of its Commitment on the Class A-1 Revolving Notes, and thereafter, maintains with the Trustee, in such Revolving Note Pledge Account, at all times, an amount equal to the undrawn amount of its Commitment on the Class A-1 Revolving Notes; or (iv) such purchaser is then entitled to borrow from one or more Support Providers; *provided*, that the aggregate amount of commitments to make loans or purchase interests in the Class A-1 Revolving Notes under any liquidity facility provided by Support Providers whose short-term debt, deposit or similar obligations are rated on such date "F1" by Fitch (and, if rated "F1," such short-term rating is not on credit watch for downgrade) is not less than the Commitment in respect of the Class A-1 Revolving Notes held by such purchaser.

"**Support Provider**" means any person (or any affiliate thereof) providing committed liquidity or credit enhancement support in connection with the transactions contemplated pursuant to the Indenture; *provided* that (x) such person or affiliate, or a person providing a guaranty of the obligations of such person or affiliate in respect of such liquidity or enhancement support, shall have a commercial paper or certificate of deposit rating of at least "F1" from Fitch and (y) such person has been approved by the Issuer (which approval shall not be unreasonably withheld).

The Class A-2 Term Notes

Class A-2 Term Note Purchase Agreements. Pursuant to one or more Purchase Agreements to be entered into on the Closing Date by and among the Issuer, the Class A Notes Agent and the holders of the Class A-2 Term Notes (each a "**Class A-2 Term Note Purchase**

Agreement") and subject to compliance with certain funding conditions specified therein, the Issuer may, at any time on or prior to the 120th day following the Closing Date, obtain fundings from the holders of the Class A-2 Term Notes, and the holders of the Class A-2 Term Notes will agree to make such fundings to the Issuer in an aggregate principal amount at any one time outstanding not to exceed the full amount of their respective Funding Commitments in respect of the Class A-2 Term Notes.

"**Funding Commitments**" in respect of the Class A-2 Term Notes shall mean the maximum aggregate outstanding principal amount of payments (whether at the time funded or unfunded) that a holder of such Class A-2 Term Notes is obligated from time to time under the Class A-2 Term Note Purchase Agreement to make to the Issuer, which, if not reduced to zero by previous Fundings, will be funded and reduced to zero on the 120th day following the Closing Date (or if such day is not a Business Day, the following Business Day). The date on which the Funding Commitments are reduced to zero is referred to herein as the "**Fully Funded Date**". The aggregate of all Funding Commitments will be equal to the excess of U.S.$250,000,000 over the aggregate amount of the Class A-2 Term Notes funded on the Closing Date.

Fundings. Subject to compliance with certain funding conditions specified in the Class A-2 Term Note Purchase Agreement, the Issuer (acting at the direction of the Collateral Manager) or the Collateral Manager (on behalf of the Issuer) may obtain a funding under the Class A-2 Term Notes on any Business Day on or prior to the Fully Funded Date, and the holders of the Class A-2 Term Notes shall make such funding available to the Issuer (each funding made, a "**Funding**" and the date of any such Funding, a "**Funding Date**"). The aggregate amount of Fundings under the Class A-2 Term Notes may not exceed the aggregate amount of Funding Commitments, and the amount of each Funding will be equal to the lesser of (a) U.S.$250,000 (and integral multiples of U.S.$50,000 in excess thereof) and (b) the undrawn amount of the Funding Commitments for all the Class A-2 Term Notes as of the related Funding Date. It shall be a further condition to each Funding that, at the time of and immediately after giving effect to such Funding, no Default (other than a Default that is administrative or technical in nature) or Event of Default shall have occurred and be continuing. The full amount of any remaining Funding Commitments will be drawn on or prior to the Fully Funded Date and deposited in the Principal Collateral Account and the Funding Commitments will be reduced to zero.

Except as otherwise expressly provided, any references herein to the Outstanding Principal Amount of the Class A-2 Term Notes shall refer to the amounts actually paid by the holders thereof to the Issuer as of such date.

Determination of LIBOR

For purposes of determining the applicable Note Rate and the Class D Note Additional Interest Rate, the Issuer will appoint the Trustee as calculation agent under the Indenture (in such capacity, the "**Indenture Calculation Agent**"). For each Distribution Period (other than the initial Distribution Period), LIBOR (**"LIBOR**") shall be determined by the Indenture Calculation Agent in accordance with the following provisions:

1. On the second day prior to the commencement of a Distribution Period on which commercial banks are open for business in London (each such day, a "**LIBOR**

Determination Date"), LIBOR shall equal the rate, as obtained by the Indenture Calculation Agent for three-month U.S. dollar deposits in Europe, which appears on Telerate Page 3750, as reported by Bloomberg Financial Markets Commodities News, as of 11:00 a.m. (London time) on such LIBOR Determination Date.

2. If, on any LIBOR Determination Date, such rate does not appear on Telerate Page 3750, or such page as may replace such Telerate Page 3750, the Indenture Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for three-month U.S. dollar deposits in Europe in an amount determined by the Indenture Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date. 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 provides such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in New York City selected by the Indenture Calculation Agent (after consultation with the Collateral Manager) are quoting on the relevant LIBOR Determination Date for three-month U.S. dollar deposits in Europe in an amount determined by the Indenture Calculation Agent by reference to the principal London offices of leading banks in the London interbank market; *provided*, *however*, that if the Indenture Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures described above, LIBOR shall be LIBOR as determined on the previous LIBOR Determination Date. As used herein, "**Reference Banks**" means four major banks in the London interbank market selected by the Indenture Calculation Agent, after consultation with the Collateral Manager.

As soon as reasonably practicable after 11:00 a.m. (London time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (London time) on the Business Day immediately following each LIBOR Determination Date, the Indenture Calculation Agent will cause each Note Rate for the related Distribution Period to be provided to the Trustee and the Collateral Manager. The Indenture Calculation Agent shall notify the Issuer and the Collateral Manager before 5:00 p.m. (London time) on each LIBOR Determination Date that either: (a) it has determined or is in the process of determining each Note Rate, or (b) it has not determined and is not in the process of determining such rates, together with its reasons therefor. The determination of the Note Rate for each Class of Notes by the Indenture Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

With respect to the initial Distribution Period, LIBOR will be 5.37043%.

The Indenture Calculation Agent may be removed by the Issuer (at the direction of the Collateral Manager) at any time. If the Indenture Calculation Agent is unable or unwilling to act as such or is removed by the Issuer, or if the Indenture Calculation Agent fails to determine the Note Rate for each Class of Notes for any Distribution Period, the Issuer will promptly appoint as a replacement Indenture Calculation Agent a leading bank which is engaged in transactions in

U.S. dollar deposits in the London interbank market, which does not control and is not controlled by nor is under common control with the Issuer or its Affiliates. The Indenture Calculation Agent may not resign its duties without a successor having been duly appointed. If no successor Indenture Calculation Agent is appointed within 30 days after giving notice of resignation, the resigning Indenture Calculation Agent, the holders of a majority of the Outstanding Principal Amount of the Notes or any holder of a Note, on behalf of itself and all others similarly situated, may petition a court of competent jurisdiction for the appointment of a successor Indenture Calculation Agent. If the Trustee is removed or resigns in accordance with the applicable provisions set forth in the Indenture, the Indenture Calculation Agent will be automatically removed; *provided* a successor Indenture Calculation Agent is appointed by the Issuer in accordance with the terms set forth above.

Payments

Payments in respect of principal of and interest on any Note will be made to the person in whose name such Note is registered on the Business Day prior to the applicable date on which payments will be made (the "**Record Date**"). DTC (or its nominee) will be the registered holder with respect to all Global Notes and, therefore, payments on the Global Notes will be made through the facilities of DTC. Payments on each Global Note will be payable by wire transfer in immediately available funds to a Dollar-denominated account maintained by DTC. In the case of definitive Notes, the Trustee shall make payments on each such Note by wire transfer in immediately available funds to a Dollar-denominated account as directed by the registered holder of such Note in writing before the applicable Record Date of such payment. Final payments in respect of principal of the Notes will be made against surrender of such Notes at the office of the Trustee.

If any payment on the Notes is due on a day that is not a Business Day, then payment will be made on the next succeeding Business Day.

Additional Issuance of Class E Notes to Cure Threshold Value Event

By 5:00 p.m. (New York City time) on each Thursday on which a Threshold Value Event is determined to have occurred and be continuing, the Trustee will, using the most recent available price information as of the close of business on the immediately preceding Wednesday, determine the amount of additional Class E-1 Notes and/or Class E-2 Notes that, if authorized and issued by the Issuer, would result in curing such Threshold Value Event, and shall promptly notify the Collateral Manager, the Issuer and each Noteholder of such occurrence and such determination. Thereafter, on any day during the five Business Day period following the day on which the Trustee delivers notice of such Threshold Value Event (the "**Notice Period**"), the existing holders of the Notes will have the right to give notice to the Issuer (with a copy of such notice to the Trustee and the Collateral Manager) of its intention to purchase additional Class E-1 Notes and/or Class E-2 Notes for the purpose of curing the Threshold Value Event. No later than five Business Days after the end of the Notice Period, if the Issuer has received (i) notice of the intent to purchase the Class E-1 Notes and/or Class E-2 Notes in an amount sufficient to cure the Threshold Value Event and (ii) either in response to the initial notification or a solicitation by the Issuer therefor, the consent of the Majority Controlling Class Noteholders to the issuance of Class E Notes to cure such Threshold Value Event, the Issuer shall issue the Class E-1 Notes

and/or Class E-2 Notes; *provided, however,* that in no event may the Outstanding Principal Amount of Class E-1 Notes exceed the Outstanding Principal Amount of Class E-2 Notes after giving effect to any such additional issuance.

The allocation of the amount of the additional Class E-2 Notes to be purchased by a Noteholder shall be determined by the Issuer as set forth below. If the Class E-2 Noteholders electing to purchase additional Class E-2 Notes do not elect to purchase additional Class E-2 Notes in an amount sufficient to cure the Threshold Value Event (when combined with amount, if any, of additional Class E-1 Notes to be issued), any of the Class A Noteholders who are not U.S. Persons, the Class B Noteholders who are not U.S. Persons, the Class C Noteholders who are not U.S. Persons, the Class D Noteholders who are not U.S. Persons or the Class E-1 Noteholders who are not U.S. Persons shall have the right to purchase additional Class E-2 Notes in the amount necessary to cure the Threshold Value Event; *provided*, that each such Class A Noteholder, Class B Noteholder, Class C Noteholder, Class D Noteholder or Class E-1 Noteholder has provided notice of its intent to purchase the additional Class E-2 Notes within the Notice Period. If more than one Class E-2 Noteholder elects to purchase additional Class E-2 Notes and the amount of purchase orders that have been submitted for such Class E-2 Notes exceeds the available amount of additional Class E-2 Notes, the amount to be purchased by such Class E-2 Noteholders shall be allocated among them in proportion to the Outstanding Principal Amounts of the Class E-2 Notes then owned by them. If the same circumstances exist with respect to purchase orders submitted by Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders and Class E-1 Noteholders, the amount of additional Class E-2 Notes to be purchased by such Noteholders will be allocated between the Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders and Class E-1 Noteholders in proportion to the Outstanding Principal Amount of the Notes held thereby. The allocation of the amount of the additional Class E-1 Notes to be purchased by a Noteholder shall be determined by the Issuer as set forth below. If the Class E-1 Noteholders electing to purchase additional Class E-1 Notes do not elect to purchase additional Class E-1 Notes in an amount sufficient to cure the Threshold Value Event (when combined with the amount, if any, of additional Class E-2 Notes to be issued), any of the Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders or the Class E-2 Noteholders shall have the right to purchase additional Class E-1 Notes in the amount necessary to cure the Threshold Value Event; *provided*, that each such Class A Noteholder, Class B Noteholder, Class C Noteholder, Class D Noteholder or Class E-2 Noteholder has provided notice of its intent to purchase the additional Class E-1 Notes within the Notice Period. If more than one Class E-1 Noteholder elects to purchase additional Class E-1 Notes and the amount for which purchase orders have been submitted exceeds the available amount of additional Class E-1 Notes, the amount to be purchased by such Class E-1 Noteholders shall be allocated among them in proportion to the Outstanding Principal Amounts of the Class E-1 Notes then owned by them. If the same circumstances exist with respect to purchase orders submitted by Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders and Class E-2 Noteholders, the amount of additional Class E-1 Notes to be purchased by such Noteholders will be allocated between the Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders and Class E-2 Noteholders in proportion to the Outstanding Principal Amount of the Notes held thereby.

Use of Proceeds

The net proceeds from the issuance and sale of the Notes (less U.S.$3,963,000) received by the Issuer on the Closing Date, will be deposited by the Trustee into the Principal Collateral Account. The Issuer will deposit U.S.$3,963,000 of proceeds from the sale of the Notes into the Interest Collateral Account and use such amount to pay Transaction Expenses, as soon as reasonably practicable, on or after the Closing Date. On the Closing Date, the Issuer will utilize the net proceeds deposited in the Principal Collateral Account to repurchase the Warehoused Loan Participations from the Participant pursuant to the Warehousing Agreement, and the related Warehoused Loans will be the initial CDO Assets in the CDO Portfolio.

Indenture Accounts and Distributions

The Issuer will establish with the Trustee the Principal Collateral Account and the Interest Collateral Account, each to be held for the benefit of the Noteholders, the Trustee, the Participant and the Collateral Manager. Funds on deposit in the Principal Collateral Account will be invested by the Trustee, at the written direction of the Collateral Manager, in CDO Assets, and any funds in the Principal Collateral Account not so invested, as well as all funds on deposit in the Interest Collateral Account, will be invested by the Trustee, at the written direction of the Collateral Manager, in Eligible Investments.

All of the interest distributions and investment income in respect of the CDO Assets and the Eligible Investments in the Principal Collateral Account, the Interest Collateral Account and each Synthetic Security Counterparty Account, to the extent not used to make periodic payments to the related Synthetic Security Counterparty, will be deposited into (or retained in) the Interest Collateral Account. On each Quarterly Payment Date, any funds in the Interest Collateral Account, after all of the payments are made in accordance the Quarterly Priority of Payments, will be transferred into the Principal Collateral Account or used to redeem the most senior Class of Notes outstanding. In addition to the payments pursuant to the Priority of Payments, the Issuer will use funds in the Interest Collateral Account and, to the extent necessary, the Principal Collateral Account, to pay to the Participant the payments due under the Warehousing Agreement. See "*The Warehousing Agreement*." The Collateral Manager on behalf of the Issuer also may direct the Trustee, in writing, on any Business Day during a Distribution Period, to pay any Issuer and Administrative Expenses from the proceeds on deposit in the Interest Collateral Account; *provided* that the aggregate of such expenditures during such period will not exceed the Issuer Expense Cap for the immediately succeeding Quarterly Payment Date.

If and to the extent that any Synthetic Security requires the Issuer to secure its obligations with respect to such Synthetic Security, the Trustee will, at the written direction of the Collateral Manager, establish a segregated trust account in respect of each such Synthetic Security (each such account, a "**Synthetic Security Counterparty Account**") that will be held in trust for the benefit of the related Synthetic Security Counterparty and over which the Trustee will have exclusive control and the sole right of withdrawal in accordance with the applicable Synthetic Security and the Indenture. As directed by the Collateral Manager in writing, the Trustee will deposit into each Synthetic Security Counterparty Account all cash and Eligible Investments that are required to secure the obligations of the Issuer in accordance with the terms of the related Synthetic Security from the Principal Collateral Account. Except for investment earnings, the

Issuer will not have any legal, equitable or beneficial interest in any of the Synthetic Security Counterparty Accounts other than in accordance with the Indenture, the applicable Synthetic Security and applicable law.

As directed by the Collateral Manager in writing and in accordance with the applicable Synthetic Security, cash on deposit in a Synthetic Security Counterparty Account on behalf of a Synthetic Security Counterparty will be invested in Eligible Investments. Income received on amounts on deposit in each Synthetic Security Counterparty Account will be applied, as directed by the Collateral Manager, to the payment of any periodic amounts owed by the Issuer to such Synthetic Security Counterparty on the date any such amounts are due. After application of any such amounts, any income then contained in such Synthetic Security Counterparty Account will be withdrawn from such account and deposited in the Interest Collateral Account. Except as described in the preceding sentence, cash and Eligible Investments on deposit in each Synthetic Security Counterparty Account will not be included in the Collateral, will not be available to make payments under the Notes.

In connection with the occurrence of (a) a credit event or (b) an event of default or a termination event under the related Synthetic Security, amounts contained in any Synthetic Security Counterparty Account will be withdrawn by the Trustee and applied toward the payment of any amounts payable by the Issuer to the related Synthetic Security Counterparty in accordance with the terms of such Synthetic Security or clause (12) of the Quarterly Priority of Payments or clause (17) of the Maturity Date Priority of Payments, as applicable, as directed by the Collateral Manager in writing. If the amount contained in any Synthetic Security Counterparty Account is insufficient to pay such amounts, the Collateral Manager will request a Borrowing under the Class A-1 Revolving Notes. Any excess amounts held in a Synthetic Security Counterparty Account after payment of all amounts owing from the Issuer to the related Synthetic Security Counterparty in accordance with the terms of the related Synthetic Security will be withdrawn from such Synthetic Security Counterparty Account and deposited in the Principal Collateral Account for application in accordance with the terms of the Indenture.

If and to the extent that any Synthetic Security requires the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Trustee will establish a single, segregated trust account held in the name of the Issuer (each such account, a "**Synthetic Security Issuer Account**"). The Trustee will deposit into each Synthetic Security Issuer Account all amounts that are required to secure the obligations of the Synthetic Security Counterparty in accordance with the terms of such Synthetic Security. Except for investment earnings, a Synthetic Security Counterparty will not have any legal, equitable or beneficial interest in any Synthetic Security Issuer Account other than in accordance with the Indenture, the applicable Synthetic Security and applicable law. In connection with (or after) the acquisition of a Synthetic Security, the related Synthetic Security Counterparty may grant to the Issuer a first priority security interest in cash and Eligible Investments (and the proceeds thereof) designated by such Synthetic Security Counterparty and the proceeds of which may be applied to make periodic payments to the Issuer under such Synthetic Security.

Cash on deposit in a Synthetic Security Issuer Account will be invested in Eligible Investments at the written direction of the Collateral Manager, except to the extent otherwise provided in the applicable Synthetic Security. Income received on amounts on deposit in each

Synthetic Security Issuer Account will be withdrawn from such account and paid to the related Synthetic Security Counterparty or the Issuer in accordance with the applicable Synthetic Security.

Cash and Eligible Investments on deposit in each Synthetic Security Issuer Account will not be included in the Collateral and will not be available to make payments under the Notes other than as a result of an event of default or termination event under the related Synthetic Security caused by the related Synthetic Security Counterparty or as otherwise provided in the related Synthetic Security.

Upon the occurrence of an event of default or a termination event under any Synthetic Security or as otherwise provided in the related Synthetic Security, amounts contained in the related Synthetic Security Issuer Account will, as directed by the Collateral Manager in writing, be withdrawn by the Trustee and applied to the payment of any termination payment payable by the related Synthetic Security Counterparty to the Issuer as a result of such event of default or termination event. Any excess amounts held in a Synthetic Security Issuer Account after payment of all amounts owing from the related Synthetic Security Counterparty to the Issuer as a result of an event of default or termination event will be withdrawn from such Synthetic Security Issuer Account and paid to the related Synthetic Security Counterparty in accordance with the Synthetic Security.

Priority of Payments

Quarterly Priority of Payments. On each Quarterly Payment Date, the Trustee shall make the following payments, from amounts on deposit in the Interest Collateral Account (and if necessary the Principal Collateral Account and, with respect to clause (12), the related Synthetic Security Counterparty Account) as of the fifth Business Day prior to such Quarterly Payment Date (*provided* that (i) the proceeds of any Borrowing made in connection with such Quarterly Payment Date to rectify an insufficiency of assets to make the payments and distributions pursuant to paragraphs (1) through (11) below and (ii) any amounts due to be deposited into the Interest Collateral Account or Principal Collateral Account prior to such date that are actually received by the Issuer after such date but prior to such Quarterly Payment Date, shall be available for distribution on such Quarterly Payment Date), and all such payments will be calculated or determined as of the fifth Business Day prior to such Quarterly Payment Date in the following order of priority ("**Quarterly Priority of Payments**"):

1. to pay the Issuer and Administrative Expenses in an amount not to exceed the Issuer Expense Cap;

2. to pay to the Collateral Manager the Primary Collateral Management Fee;

3. to pay to the Placement Agent the amount, if any, of the Deferred Structuring Fee then due and payable under the Placement Agency Agreement;

4. to pay accrued and unpaid interest on the Class A-1 Revolving Notes and the Class A-2 Term Notes at the Class A Note Rate and any accrued and unpaid Break Funding Amounts in respect of the Class A-1 Revolving Notes, on a *pari passu* basis between the two Classes;

5. to pay accrued and unpaid interest on the Class B Notes at the Class B Note Rate;

6. to pay accrued and unpaid interest on the Class C Notes at the Class C Note Rate;

7. to pay accrued and unpaid interest on the Class D Notes at the Class D Note Rate;

8. to pay the Issuer and Administrative Expenses to the extent, if any, in excess of the Issuer Expense Cap;

9. if, after making the above payments and distributions in paragraphs (1) through (8) above, the sum of (a) the aggregate CDO Asset Initial Amounts in the Principal Collateral Account, (b) the principal amount of the other Eligible Investments in the Principal Collateral Account, (c) the principal amount of the Eligible Investments in the Interest Collateral Account, (d) the principal amount of the Eligible Investments in the Synthetic Security Counterparty Accounts, (e) Accrued Interest and (f) either (i) with respect to any Quarterly Payment Date occurring on or prior to February 8, 2010, the Closing Cost Amount or (ii) with respect to any Quarterly Payment Date occurring after February 8, 2010, zero, exceeds the aggregate Outstanding Principal Amount of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the amount of such excess will be applied, to the extent necessary, to pay the accrued and unpaid interest on the Class E-1 Notes and the Class E-2 Notes at the Class E Note Rate, on a *pari passu* basis between the two Classes;

10. if, after making payments and distributions in paragraphs (1) through (9) above, there is a First Additional Amount, such First Additional Amount will be applied to pay the accrued and unpaid interest on the Class D Notes at the Class D Note Additional Interest Rate;

11. if, after making the payments in paragraphs (1) through (10) above, there is a Second Additional Amount, such Second Additional Amount will be applied to pay to the Collateral Manager the accrued and unpaid Secondary Collateral Management Fee for that Quarterly Payment Date and, without duplication, for any prior Quarterly Payment Date;

12. to the payment of any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to any Synthetic Security by reason of an event of default or termination event as to which the Synthetic Security Counterparty is the "defaulting party" or the sole "affected party";

13. if, during the Note Amortization Period, all of the payments and distributions in paragraphs (1) through (10) above are made, the Class B Notes, the Class C Notes and/or the Class D Notes will be redeemed, in whole or part, from cash on deposit in the Principal Collateral Account, in a principal amount equal as closely as practicable to the amount, if any, necessary to cause the aggregate Outstanding Principal Amount of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes after giving effect to such redemption to equal the quotient of (i) the aggregate CDO Asset Initial Amount as of such Quarterly Payment Date divided by (ii) the then applicable Maximum Leverage Factor. In the case of any such

mandatory redemption, the Class B Notes will be redeemed until the principal amount of the Class B Notes is reduced to zero, thereafter the Class C Notes will be redeemed until the principal amount of the Class C Notes is reduced to zero, and thereafter the Class D Notes will be redeemed. Any remaining amounts on deposit in the Principal Collateral Account after such redemption of the Class B Notes, the Class C Notes and/or the Class D Notes as required hereunder shall be used to repay the Class A-1 Revolving Notes and redeem the Class A-2 Term Notes; *provided* that the Class A-1 Revolving Notes will be repaid in full (but not redeemed) prior to any such redemption of the Class A-2 Term Notes. If, during the Note Amortization Period, all of the payments and distributions in paragraphs (1) through (10) are not made, cash on deposit in the Principal Collateral Account shall be used to repay the Class A-1 Revolving Notes and redeem the Class A-2 Term Notes. The repayment and the redemption payment will be made solely from amounts realized from the liquidation of Eligible Investments on deposit in the Principal Collateral Account;

14. if, after making the payments and distributions in paragraphs (1) through (13) above, there is a Third Additional Amount, such Third Additional Amount will be divided and paid:

    (a) to the Collateral Manager, the accrued and unpaid Incentive Collateral Management Fee, if any;

    (b) after the payment in clause (a), 70% of any remaining amount to the Class D Noteholders as additional interest, but not in excess of the Class D Note Additional Interest Cap; and

    (c) after making the distributions in clauses (a) and (b), to the Class E-1 Noteholders and the Class E-2 Noteholders, the remaining Third Additional Amount, on a *pari passu* basis between the two Classes;

    provided that the amount of each of the payments described under paragraphs (a), (b) and (c) above will be calculated prior to making any such payment; and

15. prior to the Note Amortization Period, any remaining balance in the Interest Collateral Account shall be transferred to the Principal Collateral Account, or during the Note Amortization Period, any remaining balance in the Interest Collateral Account will be used to redeem the most senior Class of Notes outstanding.

"**First Additional Amount**" means, on any Quarterly Payment Date, the excess of (a) the sum of (i) the aggregate CDO Asset Initial Amounts in the Principal Collateral Account, (ii) the aggregate principal amount of the other Eligible Investments in the Principal Collateral Account, (iii) the aggregate principal amount of the Eligible Investments in the Interest Collateral Account, (iv) the aggregate principal amount of the Eligible Investments in each of the Synthetic Security Counterparty Accounts, (v) Accrued Interest and (vi) the Closing Cost Amount, over (b) the sum

of (i) the Outstanding Principal Amount of the Notes and (ii) the applicable First Additional Release Amount.

"**Second Additional Amount**" means, on any Quarterly Payment Date, the excess of (a) the sum of (i) the aggregate CDO Asset Initial Amounts in the Principal Collateral Account, (ii) the aggregate principal amount of the other Eligible Investments in the Principal Collateral Account, (iii) the aggregate principal amount of the Eligible Investments in the Interest Collateral Account, (iv) the aggregate principal amount of the Eligible Investments in each of the Synthetic Security Counterparty Accounts, (v) Accrued Interest and (vi) the Closing Cost Amount, over (b) the sum of (i) the Outstanding Principal Amount of the Notes and (ii) the applicable Second Additional Release Amount; *provided* that, notwithstanding the foregoing, commencing August 8, 2008, if cumulative realized losses of any kind on the CDO Portfolio have exceeded 1% per annum of the average daily aggregate CDO Asset Initial Amount, measured from the Closing Date, the Second Additional Amount shall be zero.

"**Third Additional Amount**" means, on any Quarterly Payment Date, the excess of (a) the sum of (i) the aggregate CDO Asset Initial Amounts in the Principal Collateral Account, (ii) the aggregate principal amount of the other Eligible Investments in the Principal Collateral Account, (iii) the aggregate principal amount of the other Eligible Investments in the Interest Collateral Account, (iv) the aggregate principal amount of the Eligible Investments in each of the Synthetic Security Counterparty Accounts, (v) Accrued Interest and (vi) the Closing Cost Amount, over (b) the sum of (i) the Outstanding Principal Amount of the Notes and (ii) the Cumulative Target.

"**Break Funding Amount**" means, with respect to each prepayment of the Class A-1 Revolving Notes, an amount (not less than zero) equal to the sum of (i) the product of (A) the positive difference, if any, between (I) LIBOR as of the immediately preceding LIBOR Determination Date and (II) LIBOR as of the second London Business Day prior to the date of such prepayment, (B) the amount of such prepayment and (C) a fraction, the numerator of which is the actual number of days from and including the date of such prepayment to but excluding the next succeeding Quarterly Payment Date and the denominator of which is 360 and (ii) interest accrued at the Class A Note Rate on the amount determined pursuant to clause (i) above from and including the date of the related prepayment to but excluding the date paid in accordance with the Quarterly Priority of Payments or the Maturity Date Priority of Payments, as applicable.

Maturity Date Priority of Payments. On the Maturity Date, all CDO Assets and other Eligible Investments in the Principal Collateral Account and Interest Collateral Account (and, with respect to clause (17), the related Synthetic Security Counterparty Account) shall be liquidated and the proceeds thereof, shall be distributed in the following order of priority ("**Maturity Date Priority of Payments**"):

1. to pay the Issuer and Administrative Expenses in an amount not to exceed the Issuer Expense Cap;

2. to pay to the Collateral Manager the accrued and unpaid Primary Collateral Management Fee, if any;

3. to pay the Placement Agent the amount, if any, of the Deferred Structuring Fee then due and payable under the Placement Agency Agreement;

4. to pay accrued and unpaid interest on the Class A-1 Revolving Notes and the Class A-2 Term Notes at the Class A Note Rate and any accrued and unpaid Break Funding Amounts in respect of the Class A-1 Revolving Notes, on a *pari passu* basis between the two Classes;

5. to pay the Outstanding Principal Amount of the Class A-1 Revolving Notes and the Class A-2 Term Notes on a *pari passu* basis between the two Classes;

6. to pay accrued and unpaid interest on the Class B Notes at the Class B Note Rate;

7. to pay the Outstanding Principal Amount of the Class B Notes;

8. to pay accrued and unpaid interest on the Class C Notes at the Class C Note Rate;

9. to pay the Outstanding Principal Amount of the Class C Notes;

10. to pay accrued and unpaid interest on the Class D Notes at the Class D Note Rate;

11. to pay the Outstanding Principal Amount of the Class D Notes;

12. to pay the Issuer and Administrative Expenses to the extent, if any, in excess of the Issuer Expense Cap;

13. to pay accrued and unpaid interest on the Class E-1 Notes and the Class E-2 Notes at the Class E Note Rate, on a *pari passu* basis between the two Classes;

14. to pay the Outstanding Principal Amount of the Class E-1 Notes and the Class E-2 Notes on a *pari passu* basis between the two Classes;

15. to pay the accrued and unpaid interest on the Class D Notes at the Class D Note Additional Interest Rate;

16. to pay to the Collateral Manager the total amount of accrued and unpaid Secondary Collateral Management Fees (including, without duplication, any Secondary Collateral Management Fee not paid on any prior Quarterly Payment Date);

17. to the payment of any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to any Synthetic Security by reason of an event of default or termination event as to which the Synthetic Security Counterparty is the "defaulting party" or the sole "affected party"; and

18. any remaining balance shall be divided and paid:

    (a) to the Collateral Manager, the accrued and unpaid Incentive Collateral Management Fee, if any;

(b) after making the payment in clause (a), 70% of any remaining amount to the Class D Noteholders as additional interest, but not in excess of the Class D Note Additional Interest Cap; and

(c) after making the distribution in clauses (a) and (b), the remaining amount to the Class E-1 Noteholders and the Class E-2 Noteholders on a *pari passu* basis between the two Classes;

provided that the amount of each of the payments described under paragraphs (a), (b) and (c) above will be calculated prior to making any such payment.

Any payment or distribution made under the Quarterly Priority of Payments or the Maturity Date Priority of Payments to the holders of a Class of Notes will be made on a *pro rata* basis within such Class.

The Trustee will prepare a report prior to each Quarterly Payment Date and the Maturity Date as to the distributions to be made on such Quarterly Payment Date or the Maturity Date pursuant to the Indenture.

Redemption of the SERVES

Optional Redemption. On or after the Lock-Out Date, the Notes will be subject to redemption (in whole and not in part) at the option of the Class D Noteholders owning more than 66-2/3% of the Outstanding Principal Amount of the Class D Notes. Such redemption shall occur on the Business Day designated in a notice of redemption delivered by such Noteholders to the Trustee and the Collateral Manager; *provided* that the date so designated may not be less than 30 days, nor more than 150 days, following the date of delivery of such notice. Such redemption will be effective only if (i) sufficient funds remain in the Principal Collateral Account, the Interest Collateral Account and, if applicable, the related Synthetic Security Counterparty Accounts (after giving effect to the liquidation of all of the CDO Assets and other Eligible Investments), to make all of the payments set forth in paragraphs (1) through (16) under the Maturity Date Priority of Payments and (ii) sufficient proceeds are available to pay all amounts due from the Issuer under the Synthetic Securities. Payments on the Notes will be made in accordance with the payment priorities under the Maturity Date Priority of Payments. See "—*Priority of Payments—Maturity Date Priority of Payments*." If the funds available in the Principal Collateral Account, the Interest Collateral Account and, if applicable, the related Synthetic Security Counterparty Accounts on the redemption date are insufficient to make the payments described above, no redemption of the Notes will be effected and the notice of redemption will be rescinded. The Issuer will promptly notify, in writing, the Collateral Manager, Trustee and Noteholders of such rescission.

The Notes will also be subject to redemption (in whole, but not in part) subsequent to the Lock-Out Date, at the option of 100% of the holders of the Notes of all Classes, regardless of whether the assets of the Issuer are sufficient to redeem the Notes in full; *provided* that there are sufficient proceeds available to pay all amounts due from the Issuer under the Synthetic

Securities; and *provided*, *further*, such Noteholders designate in the notice of redemption delivered by them to the Trustee a redemption date not less than 30 days, nor more than 150 days, following the date of delivery of such notice. The consent of the Collateral Manager will be required if there is any accrued and unpaid Secondary Collateral Management Fee payable to the Collateral Manager. Payments on the Notes shall be made in accordance with the payment priorities under the Maturity Date Priority of Payments. See "*— Priority of Payments — Maturity Date Priority of Payments*."

The Class A-1 Revolving Notes may also be repaid (in whole or in part) at the option of the Issuer (upon direction by the Collateral Manager) from the liquidation of Eligible Investments in the Principal Collateral Account on any Business Day. Any repayment made with respect to the Class A-1 Revolving Notes will not reduce the Commitments thereunder. See "*— The Class A-1 Revolving Notes*."

Tax Redemption. Upon the occurrence and during the continuation of a Withholding Tax Event, the Issuer is required to redeem the Notes in whole but not in part (such a redemption, a "**Tax Redemption**"), if so directed in writing by the Majority of the Class D Notes and a Majority of the Class E Notes (voting separately), on any Quarterly Payment Date on which such Withholding Tax Event is continuing; *provided*, that (i) after giving effect to the liquidation of all of the CDO Assets and other Eligible Investments credited to the Principal Collateral Account, Eligible Investments credited to the Interest Collateral Account and, if applicable, Eligible Investments credited to the related Synthetic Security Counterparty Accounts, there is expected to be sufficient funds (as determined by the Collateral Manager with the cooperation of the Trustee) to make all payments set forth in paragraphs (1) through (16) under the Maturity Date Priority of Payments and (ii) sufficient funds are available to pay all amounts due from the Issuer under the Synthetic Securities. See "*— Priority of Payments—Maturity Date Priority of Payments*." In the event of any Tax Redemption, the Issuer will, at least 30 days prior to the redemption (unless the Trustee agrees to a shorter notice period), notify the Trustee and the Collateral Manager, in writing, of the redemption date.

Mandatory Redemption. On each Quarterly Payment Date during the Note Amortization Period, subject to the Issuer making the prior payments described under "*—Priority of Payments — Quarterly Priority of Payments*," the Class B Notes, the Class C Notes and/or the Class D Notes will be redeemed, in whole or in part, in a principal amount equal as closely as practicable to the amount, if any, necessary to cause the aggregate Outstanding Principal Amount of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes after giving effect to such redemption to equal the quotient of (i) the aggregate CDO Asset Initial Amount as of such Quarterly Payment Date divided by (ii) the then applicable Maximum Leverage Factor. See "*— Priority of Payments — Quarterly Priority of Payments*." In the case of any such mandatory redemption, the Class B Notes will be redeemed until the principal amount of the Class B Notes is reduced to zero, thereafter the Class C Notes will be redeemed until the principal amount of the Class C Notes is reduced to zero, and thereafter the Class D Notes will be redeemed. Any remaining amounts on deposit in the Principal Collateral Account after such redemption of the Class B Notes, the Class C Notes and/or the Class D Notes as required hereunder shall be used to repay the Class A-1 Revolving Notes and redeem the Class A-2 Term Notes; *provided* that the Class A-1 Revolving Notes will be repaid in full (but not redeemed) prior to any such

redemption of the Class A-2 Term Notes. The Class E Notes will not be subject to such mandatory redemption.

Forms, Denominations and Registration

The Notes. The Class A-2 Term Notes (except to the extent such Class A-2 Term Notes are represented by Rule 144A Definitive Class A-2 Term Notes as described below), the Class B Notes, the Class C Notes and the Class D Notes sold in the United States to a person that is both a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) (a "**QIB**") and a "qualified purchaser" (as defined in Section 2(a)(51) of the Investment Company Act (a "**Qualified Purchaser**")) will be represented by a permanent global note in fully registered form without interest coupons (each, a "**Rule 144A Global Note**") deposited with the Trustee, as custodian for The Depository Trust Company ("**DTC**"), and registered in the name of DTC or its nominee. DTC will credit the account of each of its participants with the principal amount of the Rule 144A Global Note being purchased by or through the participant. Beneficial interests in the Rule 144A Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants.

The Class A-2 Term Notes (except to the extent such Class A-2 Term Notes are represented by a Regulation S Definitive Class A-2 Term Note as described below), the Class B Notes, the Class C Notes, the Class D Notes, the Class E-1 Notes and the Class E-2 Notes sold outside the United States to a person that is not a "**U.S. Person**" (as defined in Regulation S under the Securities Act) in reliance on Regulation S under the Securities Act will be represented by a Regulation S global note in definitive, fully registered form without interest coupons (each, a "**Regulation S Global Note**"). The Regulation S Global Notes will be deposited with the Trustee, as custodian for DTC, and registered in the name of DTC or its nominee for the respective accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, *société anonyme* ("**Clearstream**"). Beneficial interests in Regulation S Global Notes may be held only through Euroclear or Clearstream and may not be held by a U.S. Person or a U.S. resident at any time. Beneficial interests in Regulation S Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. The Regulation S Global Notes, together with the Rule 144A Global Notes, will herein be referred to as the "**Global Notes**."

The Class A-1 Revolving Notes sold in the United States to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser will be represented by one or more notes in definitive, fully registered form without interest coupons (each, a "**Rule 144A Definitive Class A-1 Revolving Note**"). The Class A-2 Term Notes sold in the United States to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser also may be represented by one or more notes in definitive, fully registered form without interest coupons (each, a "**Rule 144A Definitive Class A-2 Term Note**" and, together with the Rule 144A Definitive Class A-1 Revolving Note and a Rule 144A Global Note, a "**Rule 144A Note**"). The Class E-1 Notes sold in the United States to a person that is an Accredited Investor or a Qualified Institutional Buyer who, in each case, is also a Qualified Purchaser will be represented by one or more notes in definitive, fully registered form without interest coupons (each, a "**Restricted Definitive Class E-1 Note**"). The Class E-2 Notes sold in the United States to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser will be represented by one or more notes in

definitive, fully registered form without interest coupons (each, a "**Restricted Definitive Class E-2 Note**"). The Class A-1 Revolving Notes sold outside the United States to a person that is not a U.S. Person in reliance on Regulation S under the Securities Act will be represented by one or more notes in definitive fully registered form, without coupons (a "**Regulation S Definitive Class A-1 Revolving Note**"). The Class A-2 Term Notes (other than the Class A-2 Term Notes issued in global form) sold outside the United States to a person that is not a U.S. Person in reliance on Regulation S under the Securities Act will be represented by one or more notes in definitive fully registered form, without coupons (a "**Regulation S Definitive Class A-2 Term Note**" and, together with a Regulation S Definitive Class A-1 Revolving Note, a "**Regulation S Definitive Note**"). The Rule 144A Definitive Class A-1 Revolving Notes, the Rule 144A Definitive Class A-2 Term Notes, the Restricted Definitive Class E-1 Notes, the Restricted Definitive Class E-2 Notes and the Regulation S Definitive Notes will be issued directly to the initial purchasers thereof.

Except in limited circumstances described in this Private Placement Memorandum, definitive Notes will not be issued in exchange for beneficial interests in either the Rule 144A Global Note or the Regulation S Global Note.

The Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will be issued in minimum denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof. The Class E Notes shall be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof.

Book Entry Registration of the Global Notes. Upon the issuance of a Global Note, DTC or its custodian will credit, on its internal system, the respective stated initial principal amount of the individual beneficial interests represented by such Global Note to the accounts of persons who have accounts with DTC. Ownership of beneficial interests in Global Notes will be limited to participants who have accounts with DTC or persons who hold interests through DTC participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC participants) and the records of these participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC, or the nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Global Notes, and members of, or participants in, DTC, as well as any other persons on whose behalf such participants may act (including Clearstream and Euroclear and account holders and participants therein), will have no rights under the Indenture or the Global Note, as applicable. Owners of beneficial interests in a Global Note will not be considered to be owners or holders of the related Note under the Indenture or the related Note; *provided* that with respect to remedies, consents, determinations and other actions in connection with an Event of Default under the Indenture, an owner of a beneficial interest in a Global Note that provides certification of ownership in the form required under the Indenture will be considered a holder of such Note for such limited purposes and to the extent of such owner's beneficial interest therein. Except as set forth below, owners of a beneficial interest in such Global Note will not be entitled to have any portion of such Global Note registered in their names, will not receive or be entitled to receive physical

delivery of Notes in certificated form, and will not be considered to be the owners or holders of such Notes under the Indenture. In addition, no beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures in addition to those under the Indenture and those of Euroclear and Clearstream, as applicable. See "*— Global Clearance and Settlement*."

Investors may hold their interests in the Regulation S Global Notes directly through Clearstream or Euroclear, if they are participants in these systems, or indirectly through organizations which are participants in these systems. Clearstream and Euroclear will hold interests in the Regulation S Global Notes on behalf of their participants through their respective depositories, which in turn will hold the interests in the Regulation S Global Notes in customers' securities accounts in the depositories' names on the books of DTC. Investors may hold their interests in the Rule 144A Global Notes directly through DTC if they are participants in the system, or indirectly through organizations that are participants in the system.

Payments of principal, interest or distributions with respect to a Global Note will be made to DTC, or its nominee, as the registered owner thereof. None of the Issuer, the Trustee or the 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 a Global Note 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 payments with respect to a Global Note representing any Notes held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the stated initial principal amount of such Global Note for the 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 Note 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. The Issuer and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

If DTC notifies the Trustee in writing that it is unwilling or unable to continue as depository for the Global Notes or DTC ceases to be a "**Clearing Agency**" (as defined in the Exchange Act) registered under the Exchange Act, and a successor depository is not appointed by the Trustee within 90 days after receiving such notice or the Issuer at its option advises the Trustee in writing that it elects to terminate the book entry system through DTC, 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 Notes to the beneficial owners of such Global Notes in the manner set forth in the Indenture.

Global Clearance and Settlement

Transfers between the participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in immediately available funds. The laws of some states require that certain persons take delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Global Notes to these persons may be limited.

Because DTC can only act on behalf of its participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a Global Note to pledge its interest to persons or entities that do not participate in the DTC system or otherwise take actions with respect to its interest, may be affected by the lack of a physical certificate of interest. 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 Notes described under "*Purchase and Transfer Restrictions*," cross-market transfers between DTC, on the one hand, and, directly or indirectly through Euroclear or Clearstream, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC 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 Note 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 Note 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 Note by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day following settlement in DTC.

DTC will take any action permitted to be taken by a holder of the Notes (including the presentation of the applicable Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in a Global Note are credited and only with respect to that portion of the aggregate principal amount of the Notes as to which the participant or participants has or have given direction. However, if there is an Event of Default under the Indenture, DTC may exchange the Notes for definitive Notes, legended as appropriate, which it will distribute to its participants.

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 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 in DTC include securities brokers and dealers,

banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Clearstream is registered as a bank in Luxembourg and is regulated by the Commission de Surveillance du Secteur Financier, which supervises Luxembourg banks. Clearstream holds securities for its participating organizations ("**Clearstream Participants**") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also deals with domestic securities in over 39 countries through established depository and custodial relationships. Clearstream has established an electronic bridge with Euroclear in Brussels to facilitate settlement of trades between Clearstream and Euroclear. Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream is also available to other institutions that clear through or maintain a custodial relationship with a Clearstream Participant.

Euroclear was created to hold securities for participants of the Euroclear system ("**Euroclear Participants**") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. The Euroclear system includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. Euroclear is operated by Euroclear Bank, S.A./N.V. (the "**Euroclear Operator**"), under contract with Euroclear Clearance System, S.C., a Belgian cooperative corporation (the "**Cooperative**"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear system on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to the Euroclear system is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operator is the Belgian branch of a New York banking corporation which is a member bank of the Federal Reserve System. As such, it is regulated and examined by the Board of Governors of the Federal Reserve System and the New York State Banking Department, as well as the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear system and applicable Belgian law (collectively, the "**Terms and Conditions**"). The Terms and Conditions govern transfers of securities and cash within the

Euroclear system, withdrawal of securities and cash from the Euroclear system, and receipts of payments with respect to securities in the Euroclear system. All securities in the Euroclear system are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants and has no record of or relationship with persons holding through Euroclear Participants.

Unless and until definitive Notes are issued, all references to actions by holders of the Regulation S Global Notes holding through Euroclear or Clearstream will refer to actions taken by DTC upon instructions received from beneficial owners of the Regulation S Global Notes through Euroclear Participants or Clearstream Participants, and all references herein to payments, notices, reports, statements and other information to holders of Regulation S Global Notes will refer to payments, notices, reports and statements to DTC or its nominees, as the registered holder of the Regulation S Global Notes, for distribution to beneficial owners of Regulation S Global Notes through Euroclear Participants or Clearstream Participants in accordance with applicable procedures.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes 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 Placement Agent, the Collateral Administrator, the Collateral Manager or the Trustee 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.

THE WAREHOUSING AGREEMENT

In advance of the Closing Date, the Issuer entered into a Master Warehousing and Participation Agreement, dated May 4, 2007 (the "**Warehousing Agreement**"), among the Issuer, Bank of America, N.A. as participant (the "**Participant**") and the Collateral Manager. The Issuer, at the direction of the Collateral Manager, has acquired direct interests in commercial loans (the "**Warehoused Loans**") with the proceeds from the sale of participations to the Participant in such Warehoused Loans. The initial purchase prices for the Original Warehoused Loans were, other than in the case of certain agreed upon exceptions, determined by reference to the mid-market price obtained from a third party pricing service on May 4, 2007. The initial purchase prices for the other Warehoused Loans were the fair market value thereof to an unrelated market purchaser as of the related trade date (as determined by the Collateral Manager).

Pursuant to the Warehousing Agreement, the Issuer has granted the Participant a 100% participation interest in each Warehoused Loan and the Participant is entitled to receive all payments, including interest, made with respect to the Warehoused Loans. Under certain circumstances, Warehoused Loans may be sold prior to the Closing Date. On the Closing Date, the Issuer will repurchase from the Participant, with the net proceeds deposited in the Principal Collateral Account, the Warehoused Loan Participations at a price equal to the Repurchase Price (which may be significantly different from the market prices as of the Closing Date), and the related Warehoused Loans will be the initial CDO Assets in the CDO Portfolio. "**Repurchase**

Price" means, with respect to any participation in a Warehoused Loan, (a) the original purchase price of such Warehoused Loan less (b) the aggregate amount of any payment of principal received by the Participant in respect of the underlying Warehoused Loan plus (c) any accrued and unpaid interest, any unpaid facility fees and the aggregate principal amount of additional loans in respect of the underlying Warehoused Loan made to the obligor and funded by the Participant; *provided*, *however*, that any accrued interest will be payable to the Participant when such interest is paid by the related obligor to the Issuer. All rights of the Participant under the Indenture shall terminate upon the payment to the Participant of payments due under the Warehousing Agreement. On the Closing Date the Collateral Manager will be entitled to receive a fee as set forth in the Warehousing Agreement.

THE COLLATERAL MANAGER

The information appearing in this section has been prepared by Deerfield Capital Management LLC and has not been independently verified by the Issuer or the Placement Agent. Accordingly, notwithstanding anything to the contrary herein, none of the Issuer, the Trustee, the Collateral Administrator or the Placement Agent assumes any responsibility for the accuracy, completeness or applicability of such information.

General

Deerfield Capital Management LLC ("**Deerfield**") is a Chicago, Illinois-based investment advisor that specializes in providing fixed income portfolio management services to institutional clients worldwide. Deerfield's office is located at One O'Hare Centre, 6250 North River Road, Rosemont, Illinois 60018. Deerfield's strategies focus on the management of bank loans, investment grade corporate bonds, asset backed securities and fixed income government arbitrage. Deerfield's clients consist of collateralized debt obligations ("**CDOs**"), a structured loan fund, a real estate investment trust ("**REIT**"), private investment funds and separate accounts. As of June 1, 2007, Deerfield managed approximately U.S.$14.0 billion of client assets, consisting of approximately U.S.$11.9 billion in CDOs and a structured loan fund, U.S.$762 million in a REIT and U.S.$1.3 billion in private investment funds and separate accounts. Approximately U.S.$4.2 billion of Deerfield's assets under management were held in 11 bank loan CLOs and one structured loan fund. As of June 1, 2007, CDOs managed by Deerfield included: Rosemont CLO, Ltd., Forest Creek CLO Ltd., Long Grove CLO Ltd., Castle Harbor II CLO Ltd., Market Square CLO Ltd., Cumberland II CLO Ltd., Marquette Park CLO Ltd., Bridgeport CLO Ltd., Coltrane CLO p.l.c., Burr Ridge CLO Plus Ltd., Schiller Park CLO Ltd., Mid Ocean CBO 2000-1 Ltd., Mid Ocean CBO 2001-1 Ltd., Oceanview CBO I, Ltd., NorthLake CDO I, Limited, Knollwood CDO Ltd., River North CDO Ltd., Buckingham CDO Ltd., Buckingham CDO II Ltd., Pinetree CDO Ltd., Knollwood CDO II Ltd., Buckingham CDO III Ltd., Aramis CDO, Western Springs CDO Ltd., Valeo Investment Grade CDO Ltd. and Valeo Investment Grade CDO II Ltd.

In July 2004, Triarc Companies, Inc. ("**Triarc**"), a publicly traded holding company listed on the New York Stock Exchange, acquired a controlling interest in Deerfield & Company LLC ("**D&C**"), an Illinois limited liability company that owns 100% of Deerfield. Triarc currently owns an approximate 64% capital interest in D&C and controls in excess of 90% of the voting power of D&C. Senior management of Deerfield or their affiliates currently own and

control the balance of the economic and voting interests in D&C. Through its subsidiaries, Triarc is also the franchisor of Arby's® restaurants as well as the owner and operator of over 1,000 Arby's® restaurants.

In connection with its previously reported corporate restructuring, Triarc announced on April 20, 2007 that a definitive agreement has been entered into pursuant to which Deerfield Triarc Capital Corp. ("**DFR**"), a diversified financial company that is externally managed by Deerfield, will acquire D&C. The transaction, which is expected to close during the 2007 third quarter, is subject to customary closing conditions, including, without limitation, the receipt by DFR of financing for the cash portion of the purchase price and related transaction costs, receipt of certain third party consents and other conditions set forth in the definitive agreement, including the expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. In addition, the transaction is subject to approval by DFR stockholders representing (1) a majority of the votes cast at a meeting to approve the transaction and (2) a majority of the votes cast by stockholders not affiliated with D&C. A stockholders' vote on the proposed transaction is expected to be held during the 2007 third quarter. See "*Risk Factors—Other Considerations—Restructuring of the Collateral Manager*" and "*—The Issuer will be Highly Dependent on Key Personnel of the Collateral Manager*."

Deerfield is registered with the SEC as an investment adviser, and with the U.S. Commodity Futures Trading Commission as a commodity pool operator and commodity trading advisor. Prospective investors may obtain copies of Deerfield's written disclosure statement in lieu of SEC Form ADV Part II, and other information about Deerfield, upon request.

The delivery of this Private Placement Memorandum shall not create any implication that there has been no change in the affairs of Deerfield since the date of this Private Placement Memorandum, or that the information contained or referred to herein is correct as of any time subsequent to its date.

Key Personnel

Jonathan W. Trutter. Mr. Trutter is the Chief Investment Officer of Deerfield and the Senior Managing Director responsible for Deerfield's Bank Loan Team. Prior to joining Deerfield in April 2000, Mr. Trutter was a Managing Director of Scudder Kemper Investments where he directed the Bank Loan / Private Placement Department. He was formerly a Portfolio Manager for the Kemper Diversified Income Fund, Kemper Multi-Market Income Trust and Kemper Strategic Income Fund, all of which are multi-sector funds. Before joining Kemper in 1989, Mr. Trutter was Vice President in the Chicago office of Bank of America. Mr. Trutter received a Bachelor's Degree with dual majors in East Asian Languages and International Relations from the University of Southern California and an M.M. from The J.L. Kellogg Graduate School of Management at Northwestern University. He is a Certified Public Accountant.

Dale R. Burrow, CFA. Mr. Burrow is a Managing Director and Director of Research for Deerfield. Prior to joining Deerfield in April 2000, Mr. Burrow was a Senior Vice President in the Bank Loan Department at Scudder Kemper Investments. In his thirteen years with Scudder Kemper, he was responsible for managing more than U.S.$1 billion of credit exposure, including

a large component of high yield and private placement debt. Mr. Burrow was also Co-Manager of the Kemper Strategic Municipal Income Trust. Prior to joining Scudder Kemper, Mr. Burrow was employed with the First National Bank of Chicago for nine years in a specialized lending unit within the Commercial Banking Group. Mr. Burrow was a bank officer and the director of research for that unit from 1984-1987, during which period he managed a staff of nine analysts responsible for managing more than U.S.$2 billion of bank loan exposure. Mr. Burrow earned his B.B.A. with Special Distinction from the University of Oklahoma and his M.B.A. with Special Distinction from DePaul University. He is a Chartered Financial Analyst charterholder and a member of the CFA Society of Chicago and the CFA Institute.

Mark E. Wittnebel, CFA. Mr. Wittnebel is a Managing Director and Co-Director of Deerfield's Bank Loan Team. Prior to joining Deerfield in April 2000, Mr. Wittnebel was a Senior Vice President in the Bank Loan Department at Scudder Kemper Investments. Before joining the Scudder Bank Loan Trading Department, Mr. Wittnebel was responsible for close to U.S.$1 billion of high yield credit exposure in the telecommunications and technology sectors. Prior to joining Scudder Kemper in 1989, Mr. Wittnebel was employed as an Equity Analyst and Portfolio Manager for eight years by Aon Corporation and First Trust St. Paul. Mr. Wittnebel earned his B.B.A. and M.S. Finance from the University of Wisconsin at Madison. He is a Chartered Financial Analyst charterholder and is a member of the CFA Society of Chicago and the CFA Institute.

Dan Hattori. Mr. Hattori is a Managing Director and Co-head of Deerfield's London office. Prior to joining Deerfield in April 2000, Mr. Hattori was a Senior Associate Analyst in the Bank Loan Department at Scudder Kemper Investments where he was responsible for credit analysis, reviewing new CLO structures and supporting marketing efforts in the group. Mr. Hattori also spent two years as a Financial Analyst employed by McKinsey and Company. Mr. Hattori earned his B.S. with a major in Finance and an M.B.A. with an emphasis in International Marketing and Finance from DePaul University.

Matthew Stouffer, CFA. Mr. Stouffer is a Managing Director and Portfolio Manager for Deerfield's Bank Loan Team. Prior to joining Deerfield in October 2000, Mr. Stouffer was a Vice President and Portfolio Manager and an ABS/MBS/CMBS trader at Scudder Kemper Investments. At Scudder Kemper, Mr. Stouffer managed and implemented ABS/MBS/CMBS strategies for Scudder Kemper's institutional portfolios totaling U.S.$7 billion. Prior to Scudder Kemper, Mr. Stouffer was a Portfolio Manager and Principal at Cedar Hill Associates where he managed over 80 bond portfolios. He received a B.S. from the University of Iowa and an M.S. in Finance from the University of Wisconsin. He is a Chartered Financial Analyst charterholder and is a member of the CFA Society of Chicago and the CFA Institute.

Kenneth Selle. Mr. Selle is a Managing Director and Head Trader for Deerfield's Bank Loan Team. Prior to joining Deerfield in January 2005, Mr. Selle spent 20 years at Bank One NA and its predecessor company, The First National Bank of Chicago. From 2000-2004, he served as a Managing Director and Head of Loan Sales of Bank One's Loan Sales and Trading Group, overseeing six senior professionals responsible for the purchase and sale of Bank One's commercial loan portfolio. Prior to 2000, Mr. Selle spent 8 years as Managing Director and Senior Loan Trader in Bank One's Loan Syndication Group, with responsibility for all secondary trading activity in the bank loan market. Mr. Selle joined The First National Bank Of Chicago in

November 1985 where he spent 7 years as a Senior Corporate Banker in the Bank's Communications Companies Division, providing corporate financial products to a broad array of media and telecommunication firms in the United States. Mr. Selle holds a Masters in International Management from The American Graduate School of International Management (Thunderbird) and a B.B.A. in Marketing from The College of St. Thomas.

David J. Sliwicki. Mr. Sliwicki is a Managing Director for Deerfield's Real Estate Finance Team. Prior to joining Deerfield in August 2005, Mr. Sliwicki was a Regional Vice President for PNC Real Estate Finance with responsibility for originating and structuring debt and equity investments in multi-family properties. Prior to joining PNC, Mr. Sliwicki was a Vice President for Transamerica Real Estate Finance where he sourced and closed floating rate and mezzanine debt for value added properties, including office, multi-family, industrial, retail, hotel, and assisted living, in the Midwest, Rocky Mountain and West Coast marketplaces. Mr. Sliwicki began his career with Citicorp Real Estate, Inc. in New York where he completed Citicorp's formal credit training program and went on to positions in construction lending in Boston and loan work-outs and REO asset management in Chicago. Mr. Sliwicki holds a B.S. in Finance from Marquette University and a M.S. in Real Estate from the University of Wisconsin at Madison.

Gerard Donohue, CFA. Mr. Donohue is a Managing Director and Co-Head of Deerfield's London office. Prior to joining Deerfield in July 2006, Mr. Donohue was Director, Structured Credit at Henderson Global Investors for three years where he managed Henderson's 10 investment grade synthetic and high yield CDOs. Prior to Henderson, Jerry spent four years as a Director in the Fixed Income team at AXA Investment Managers. He has also held other senior international financial positions, including at Amoco Corp and the U.S. Securities and Exchange Commission. Mr. Donohue received a B.A. in Economics from the Catholic University of America and an M.B.A. in Finance and Investments from George Washington University. He earned the right to use the Chartered Financial Analyst designation and is a Member of the UK Society of Investment Professionals.

Karla Bullard. Ms. Bullard is a Managing Director and Senior Credit Analyst for Deerfield's Bank Loan Team. Prior to joining the Bank Loan Team in June 2007, Ms. Bullard served as a Managing Director and Chief Accounting Officer for Deerfield, where she was responsible for managing corporate accounting; investor product accounting and reporting; and structured finance vehicle payment compliance. Prior to joining Deerfield in 2004, she was a Vice President and divisional Controller at JP Morgan Chase over private equity and commercial and residential mortgage-backed securities portfolios. Before joining JP Morgan Chase, she was an audit manager at Arthur Andersen LLP in their financial services practice focused on consultation of structured finance vehicles and auditing. Ms. Bullard received a B.S. in Accounting from the University of Illinois and an M.B.A from the University of Chicago. She is a Certified Public Accountant.

Carol L. Kiel, CFA. Ms. Kiel is a Senior Vice President and Portfolio Manager for Deerfield's Bank Loan Team. Prior to joining Deerfield in 2005, Ms. Kiel was Managing Director - Fixed Income Research at Allstate and was responsible for 18 research professionals covering over U.S.$50 billion in investment grade, municipal and high yield exposure. Prior to joining Allstate in 2000, Ms. Kiel was a Senior Vice President at Scudder Kemper Investments.

Ms. Kiel's 17-year tenure at Scudder included 11 years in high yield research and six years in equity research. Ms. Kiel earned a B.A. in Economics from Wellesley College and an M.B.A. in Finance from the University of Chicago. She is a Chartered Financial Analyst charterholder and a member of the CFA Institute and the CFA Society of Chicago.

Scott Morrison. Mr. Morrison is a Senior Vice President and Portfolio Manager for Deerfield's Bank Loan Team. Prior to joining the Bank Loan Team in September 2003, Mr. Morrison served as a Vice President and Counterparty Credit Officer on Deerfield's Risk Management Team. Prior to joining Deerfield in 1998, he was a credit officer in the derivative products and foreign exchange trading division of NationsBank where he was responsible for credit analysis and exposure management. Mr. Morrison holds an M.B.A. in Finance and International Business from The American Graduate School of International Management (Thunderbird) and a B.A. in Economics from Valparaiso University.

Patrick McGeever. Mr. McGeever is a Senior Vice President and Credit Analyst for Deerfield's Bank Loan Team. Prior to joining the Bank Loan Team in April 2007, Mr. McGeever served as a Senior Vice President and Credit Analyst for Deerfield's Corporate Bond Trading Team. Prior to joining Deerfield in April 2006, Mr. McGeever spent five years with Fitch Ratings as a Director in the Corporate Finance Group, where he was responsible for the Oil and Gas sector. Before joining Fitch Ratings, Mr. McGeever was a Vice President of High Yield Research at ABN AMRO, where he was responsible for the Oil and Gas sector. Previously, Mr. McGeever was an analyst in the Fixed Income Energy groups at Toronto Dominion Securities and BancAmerica Securities. Mr. McGeever has a B.S. in Finance from the University of Iowa.

Lynne Sanders. Ms. Sanders is a Vice President and Credit Analyst for Deerfield's Bank Loan Team. Prior to joining Deerfield in October 2005, Ms. Sanders spent 18 years at Bank One NA and its predecessor company, The First National Bank of Chicago. From 2000-2004, she served as a Director of Bank One's Loan Sales and Trading Group, responsible for the distribution of new issue syndicated bank loans ranging from investment grade to leveraged transactions, as well as the trading of secondary inventory. Prior to 2000, Ms. Sanders was a Director and Senior Credit Analyst in the Communications Companies Division, responsible for the structuring of new credits as well as exposure management to communication and media companies. Ms. Sanders holds an M.B.A. in Finance from DePaul University and a B.A. in Finance from Loyola University.

Dante Arciero. Mr. Arciero is a Vice President and Credit Analyst for Deerfield's Bank Loan Team. Prior to joining Deerfield, Mr. Arciero worked in the client services department of Deutsche Asset Management's Scudder Investments unit. Prior to joining Scudder, Mr. Arciero modeled trading ideas at an equity options trading group in Chicago. Mr. Arciero received a B.A. in Economics from Vanderbilt University in Nashville, Tennessee.

Khurshid Zaynutdinov. Mr. Zaynutdinov is a Credit Analyst in Deerfield's London office. Prior to joining Deerfield in May 2007, Mr. Zaynutdinov was an Investment Adviser at Frontier Markets Fund Managers, Standard Bank London Plc, where he built and analyzed financial models and performed credit analysis for infrastructure projects. Prior to Standard Bank, he was an Analyst at Ashgabat RO of European Bank for Reconstruction and Development. Mr.

Zaynutdinov earned his B.S. in Economics with a major in Finance from the Wharton School, University of Pennsylvania.

THE COLLATERAL MANAGEMENT AGREEMENT

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

Duties of the Collateral Manager

Under the Collateral Management Agreement, Deerfield, as the Collateral Manager, will have responsibility for the management of the CDO Portfolio including, but not limited to, selecting CDO Assets for addition thereto, and deletion therefrom, providing notices and information to the Issuer and the Trustee with respect to the CDO Portfolio, discussing CDO Assets with any agent bank, syndicate member, obligor or any other person, attending meetings that may be called by creditors or other persons with respect to the CDO Assets and otherwise representing the interests of the Issuer in connection with the management of the CDO Portfolio, all in accordance with the terms and conditions contained in the Collateral Management Agreement and the Indenture, including the restrictions and guidelines contained therein concerning the CDO Portfolio Criteria and the Purchase Criteria. See "*The CDO Portfolio*." In addition, the Collateral Manager will have responsibility for selecting Eligible Investments for the Principal Collateral Account, the Interest Collateral Account, the Synthetic Security Issuer Account (to the extent not provided for in the related Synthetic Security) and the Synthetic Security Counterparty Account.

Compensation of Collateral Manager

On each Quarterly Payment Date, after making payment of higher priority on such Quarterly Payment Date pursuant to the Priority of Payments, the Issuer will pay to the Collateral Manager (for the relevant period or portion thereof) an ongoing collateral management fee (the "**Primary Collateral Management Fee**") in an amount equal to the product of (i) the average daily aggregate CDO Asset Initial Amount for the related Modified Distribution Period, (ii) 0.225% and (iii) the actual number of days in such Modified Distribution Period, divided by 360.

On each Quarterly Payment Date, if and only to the extent that there is a Second Additional Amount, after making payments of higher priority on such Quarterly Payment Date pursuant to the Priority of Payments, the Issuer will also pay to the Collateral Manager the secondary collateral management fee (the "**Secondary Collateral Management Fee**") in an amount equal to the product of (i) the average daily aggregate CDO Asset Initial Amount for the related Modified Distribution Period, (ii) 0.275% and (iii) the actual number of days in such Modified Distribution Period, divided by 360.

On each Quarterly Payment Date, after making payments of higher priority on such Quarterly Payment Date pursuant to the Priority of Payments, the Issuer will also pay to the Collateral Manager an incentive collateral management fee (the "**Incentive Collateral Management Fee**") in an amount equal to the product of (i) 0.01% for each 0.06% by which the Class D Note Internal Rate of Return exceeds the LIBOR Annualized Interest Rate of Return

plus 4.20%, (ii) the average daily aggregate CDO Asset Initial Amount for the period from (and including) the last Quarterly Payment Date (or if no Incentive Collateral Management Fee has been paid yet, the Closing Date to (but excluding) the immediately following Quarterly Payment Date (each such period an "**Incentive Collateral Management Fee Period**") and (iii) the actual number of days in such Incentive Collateral Management Fee Period, divided by 360.

On the Maturity Date, to the extent that moneys are available, after making payments of higher priority on such Maturity Date pursuant to the Maturity Date Priority of Payments, the Issuer will pay to the Collateral Manager (i) the accrued and unpaid Primary Collateral Management Fee, (ii) the accrued and unpaid Secondary Collateral Management Fee, and (iii) the Incentive Collateral Management Fee.

To the extent not paid on any Quarterly Payment Date when due, the Primary Collateral Management Fee, the Secondary Collateral Management Fee and/or the Incentive Collateral Management Fee will be deferred and payable on subsequent Quarterly Payment Dates in accordance with the Quarterly Priority of Payments and will not accrue interest.

The Collateral Manager will be responsible for all expenses incurred in the performance of its obligations under the Collateral Management Agreement, Collateral Administration Agreement and the Indenture; *provided*, *however*, that (i) the fees and expenses of employing outside lawyers, accountants, consultants and other advisers in connection with the acquisition and disposition of CDO Assets and the possible restructuring of any Collateral, (ii) all amounts payable under the Collateral Administration Agreement, (iii) the fees and expenses of employing outside lawyers or accountants to assist the Collateral Manager in interpreting and fulfilling its obligations and duties under the Collateral Management Agreement, the Collateral Administration Agreement and the Indenture, (iv) reasonable travel expenses in connection with the Collateral Manager's performance of its duties under the Collateral Management Agreement and under the Indenture, and (iv) the fees and expenses related to any pricing service used in connection with the CDO Assets and an allocable share of the cost of one of any portfolio management databases (substantially similar to *iCDO, CDO Sentry* or *Wall Street Analytics*) and credit databases which are used by the Collateral Manager solely in providing services to the Issuer under the Collateral Management Agreement and not generally applicable to the Collateral Manager's business will be reimbursed by the Issuer in accordance with the Priority of Payments.

Resignation or Termination of Collateral Manager

If the Collateral Management Agreement is terminated for any reason or the entity then serving as Collateral Manager resigns or is removed, the Primary Collateral Management Fee and the Secondary Collateral Management Fee owing to such entity will be prorated for any partial periods between Quarterly Payment Dates and such prorated amount will be due and payable on the first Quarterly Payment Date following the date of such termination, resignation or removal, subject to the Priority of Payments.

If the Collateral Manager is removed without "cause," any Incentive Collateral Management Fee that is payable on any Payment Date thereafter will be paid as follows: (i) to Deerfield, an amount equal to the product of (x) such Incentive Collateral Management Fee and (y) a fraction the numerator of which is the number of days from the Closing Date to the

effective date of such removal and the denominator of which is the number of days from the Closing Date to such Payment Date and (ii) to the successor Collateral Manager, the remaining amount of the Incentive Collateral Management Fee. For the avoidance of doubt, no Incentive Collateral Management Fee will be paid if the Collateral Manager resigns or is removed for "cause."

The Collateral Manager may resign, on or after the second anniversary of the Closing Date, upon 90 days' (or such shorter notice as is acceptable to the Issuer) prior written notice to the Issuer, the Collateral Administrator and the Trustee (with a copy to the Rating Agency). If the Collateral Manager resigns, upon notification thereof, the Majority Noteholders agree to use their best efforts to appoint a successor Collateral Manager; *provided*, *however*, that such resignation will not be effective until the date as of which a successor Collateral Manager has been appointed in accordance with the Collateral Management Agreement and has accepted the duties of the successor Collateral Manager thereunder.

The Collateral Manager may be removed without "cause," on or after the second anniversary of the Closing Date, upon 90 days' prior written notice to the Collateral Manager (or such shorter notice as is acceptable to the Collateral Manager) by the Issuer (with a copy sent to the Rating Agency) at the direction of holders of at least 66-2/3% of the aggregate Outstanding Principal Amount of each Class of Notes, voting separately (excluding in such calculation any Notes owned by (i) the Collateral Manager or an Affiliate thereof or (ii) special purpose companies, funds, trusts or REITs for which the Collateral Manager both (x) provides investment advisory services and (y) has discretionary voting authority ("**Collateral Manager Securities**")). Any such removal of the Collateral Manager will not be effective until the date as of which a successor Collateral Manager has been appointed in accordance with the Collateral Management Agreement and has accepted the duties of the successor Collateral Manager thereunder. The Majority Noteholders will use their best efforts to appoint a successor Collateral Manager to assume such duties and obligations.

The Collateral Management Agreement may be terminated, and the Collateral Manager may be removed for "cause" by the Issuer; *provided*, that (a) written notice thereof has been given to the holders of the Notes, the Trustee and the Rating Agency and (b) such termination will be effective only if directed in writing within 30 days after the date of such notice by the holders of at least 66-2/3% of the aggregate Outstanding Principal Amount of each Class of Notes, voting separately, upon ten days' prior written notice to the Collateral Manager (excluding in such calculation any Collateral Manager Securities).

For purposes of determining "cause" with respect to any such termination of the Collateral Management Agreement, such term shall mean any one of the following events:

(1) the Collateral Manager willfully violates, or takes any action that it knows breaches, any provision of the Collateral Management Agreement or the Indenture applicable to it (not including a breach or violation that is the subject of an ongoing good faith dispute regarding the interpretation of any provision of the Collateral Management Agreement or the Indenture applicable to the Collateral Manager);

(2) the Collateral Manager breaches in any material respect any provision of the Collateral Management Agreement or any terms of the Indenture applicable to it or any representation, certificate or other statement made or given in writing by the Collateral Manager (or any of its directors or officers) pursuant to the Collateral Management Agreement or the Indenture proves to have been incorrect in any material respect when made or given, which breach or materially incorrect representation, certificate or statement (i) has a material adverse effect on all the holders of the Notes, and (ii) within 60 days of its becoming aware (or receiving notice from the Trustee) of such breach, or such materially incorrect representation, certificate or statement, the Collateral Manager fails to cure such breach, or to take such action so that the facts (after giving effect to such actions) conform in all material respects to such representation, certificate or statement;

(3) the Collateral Manager is wound up or dissolved or there is appointed over it or all or substantially all of its assets a receiver, administrator, administrative receiver, trustee or similar officer; or the Collateral Manager (w) ceases to, or admits in writing its inability to, pay its debts as they become due and payable, or makes a general assignment for the benefit of or enters into any composition or arrangement with, its creditors generally; (x) applies for or consents (by admission of material allegations of a petition or otherwise) to the appointment of a receiver, trustee, assignee, custodian, liquidator or sequestrator (or other similar official) of the Collateral Manager or of all or substantially all of its properties or assets, or authorizes such an application or consent, or proceedings seeking such appointment are commenced without such authorization, consent or application against the Collateral Manager and continue undismissed for 60 consecutive days; (y) authorizes or files a voluntary petition in bankruptcy, or applies for or consents (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, arrangement, readjustment of debt, insolvency or dissolution, or authorizes such application or consent, or proceedings to such end are instituted against the Collateral Manager without such authorization, application or consent and are approved as properly instituted and remain undismissed for 60 consecutive days or result in adjudication of bankruptcy or insolvency or (z) permits or suffers all or substantially all of its properties or assets to be sequestered or attached by court order and the order remains undismissed for 60 consecutive days;

(4) the occurrence of an Event of Default under clause (a) of the definition of "Event of Default" that primarily results from any breach by the Collateral Manager of its duties under the Indenture or the Collateral Management Agreement;

(5) the occurrence of an act by the Collateral Manager that constitutes fraud or a felony criminal offense in the performance of its obligations under the Collateral Management Agreement, or the Collateral Manager is indicted, or any of its executive officers having responsibility over the management of the CDO Assets are convicted, for a criminal offense materially related to its primary business of managing of collateral or investments or its investment advisory activities; or

(6) the occurrence of a Threshold Value Event.

The Collateral Manager will provide prompt written notice to the Trustee and the Rating Agency if a "cause" event, or an event which with time or notice becomes "cause," occurs.

Any removal or resignation of the Collateral Manager will be effective only upon (i) (x) the appointment by the Majority Noteholders or, (y) if such holders fail to make such appointment within 90 days after any such removal or resignation, the appointment by the Issuer of a successor Collateral Manager that is an established institution with experience managing assets similar to the CDO Assets that (1) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement and the Indenture, (2) is legally qualified and has the capacity to act as Collateral Manager under the Collateral Management Agreement as successor to the Collateral Manager under the Collateral Management Agreement, (3) has agreed in writing to assume all of the responsibilities, duties and obligations of the Collateral Manager under the Collateral Management Agreement and under the applicable terms of the Indenture and (4) does not cause the Issuer or the pool of Collateral to become required to register as an "investment company" under the provisions of the Investment Company Act or subject the Issuer to U.S. Federal or State income taxation or cause it to be engaged in a trade or business in the United States for U.S. Federal income tax purposes, and (ii) satisfaction of the Rating Agency Condition with respect to such appointment. No compensation payable to any successor Collateral Manager will be in excess of that permitted to the Collateral Manager under the Collateral Management Agreement without prior written consent of the Majority Controlling Class Noteholders. The Issuer, the Trustee (at the written instruction of the successor Collateral Manager) and the successor Collateral Manager will take such action (or cause the outgoing Collateral Manager to take such action) consistent with the Collateral Management Agreement and the terms of the Indenture applicable to the Collateral Manager, as shall be necessary to effectuate any such succession. If the Collateral Manager has resigned or is removed but a successor Collateral Manager has not assumed all of the Collateral Manager's duties and obligations under the Collateral Management Agreement within 90 days after such resignation or removal, then the Issuer, the Trustee, any holder of Notes or the resigning or terminated Collateral Manager may petition any court of competent jurisdiction for the appointment of a successor Collateral Manager without the approval of the Rating Agency or the holders of the Notes.

At any given time, the Collateral Manager will have no voting rights in connection with any Collateral Manager Securities with respect to the removal of the Collateral Manager, with or without cause, and the Collateral Manager Securities will be deemed not to be outstanding in connection with any such vote; *provided*, *however*, that any such Notes will have voting rights and shall be deemed outstanding with respect to all other matters as to which holders of Notes are entitled to vote.

Except for the delegation of certain of the Collateral Manager's duties pursuant to the Collateral Administration Agreement, the Collateral Management Agreement may not be delegated by the Collateral Manager, in whole or in part, without (i) the prior written consent of the Issuer and (ii) satisfaction of the Rating Agency Condition with respect to such delegation and, notwithstanding any such consent, no delegation of duties by the Collateral Manager shall relieve it from any liability under the Collateral Management Agreement.

The Collateral Management Agreement may not be assigned by the Collateral Manager, in whole or in part, unless such assignment is consented to in writing by the Issuer and the Majority Controlling Class Noteholders. Any assignee of the Collateral Manager under the

Collateral Management Agreement will execute and deliver to the Issuer and the Trustee an appropriate agreement naming such assignee as a Collateral Manager. No change in control of the Collateral Manager, including any change in control resulting from a direct or indirect transfer or hypothecation of voting securities of the Collateral Manager that constitutes an "assignment" within the meaning of the United States Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), will constitute an assignment for purposes of the Collateral Management Agreement. However, any change in control of the Collateral Manager that constitutes an "assignment" under the Advisers Act will require the written consent of the board of directors of the Issuer. In connection with the proposed change in control of D&C pursuant to the DFR 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. See "*The Collateral Manager*."

The Collateral Management Agreement may not be assigned by the Issuer without the prior written consent of the Collateral Manager, except in the case of assignment by the Issuer to (i) an entity which is a successor to the Issuer permitted under the Indenture, in which case such successor organization will be bound under the Collateral Management Agreement and by the terms of such assignment in the same manner as the Issuer is bound under the Indenture or (ii) the Trustee as contemplated by the Indenture. In the event of any assignment by the Issuer, the Issuer will use commercially reasonable efforts to cause its successor to execute and deliver to the Collateral Manager such documents as the Collateral Manager may consider reasonably necessary to effect fully such assignment.

The Collateral Manager, its Affiliates and their respective members, managers, directors, officers, stockholders, partners, agents and employees will not be liable to the Issuer, the Trustee, the Collateral Administrator, the Noteholders or any other person for any losses, claims, damages, judgments, assessments, costs or other liabilities incurred by the Issuer, the Trustee, the Collateral Administrator, the Noteholders or any other person that arise out of or in connection with the performance by the Collateral Manager of its duties under the Collateral Management Agreement or the Indenture or for any decrease in the value of the CDO Assets, except (i) by reason of acts or omissions of the Collateral Manager constituting bad faith, willful misconduct or gross negligence in the performance, or reckless disregard, of the obligations of the Collateral Manager under the Collateral Management Agreement and under the terms of the Indenture applicable to the Collateral Manager or (ii) with respect to any representation or warranty made by the Collateral Manager with respect to information provided by it for the inclusion in this Private Placement Memorandum, which information is contained solely under the sections entitled "*The Collateral Manager*" and "*Risk Factors — Other Considerations — Certain Conflicts of Interest Regarding the Collateral Manager*," "*—Restructuring of the Collateral Manager*" and "*—The Issuer Will Be Highly Dependent on Key Personnel of the Collateral Manager*"; *provided*, *further*, that in no event will the Collateral Manager be liable for consequential, special, exemplary or punitive damages. Any stated limitations on liability will not relieve the Collateral Manager from any responsibility it has under any state or federal statutes. Subject to the Priority of Payments, the Collateral Manager will be entitled to indemnification by the Issuer under certain circumstances.

Conflicts of Interest

Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager and its Affiliates. In certain circumstances, the interests of the Issuer and/or the Noteholders with respect to matters as to which the Collateral Manager is advising the Issuer may conflict with the interests of the Collateral Manager or its Affiliates. See "*Risk Factors — Other Considerations — Certain Conflicts of Interest Regarding the Collateral Manager*." The Issuer acknowledges and each Noteholder by its acquisition of a Note will be deemed to acknowledge, that it has read "*Risk Factors — Other Considerations — Certain Conflicts of Interest Regarding the Collateral Manager*," "*—Restructuring of the Collateral Manager*" and "*—The Issuer Will Be Highly Dependent on Key Personnel of the Collateral Manager*" in this Private Placement Memorandum, describing the possible conflict of interest that may exist between the activities of the Collateral Manager under the Collateral Management Agreement and the other business activities of the Collateral Manager and its Affiliates.

THE CDO PORTFOLIO

General

The Collateral Manager will be responsible for selecting each CDO Asset to be added to the CDO Portfolio held by the Issuer. The Issuer will use the net proceeds from the sale of the Notes to repurchase the Warehoused Loan Participations from the Participant and the related Warehoused Loans will be the initial CDO Assets in the CDO Portfolio. The Issuer may also acquire additional CDO Assets at any time prior to the Note Amortization Period from principal repayments in respect of the CDO Assets or with the proceeds realized from the disposition of CDO Assets. Each CDO Asset will be a Commercial Bank Loan (or a participation in a Commercial Bank Loan), an Approved Structured Security or a Synthetic Security. A CDO Asset may be added to the CDO Portfolio if the Collateral Manager is able to arrange for the Issuer to acquire the CDO Asset by purchase, assignment or otherwise. During the Note Amortization Period, the Collateral Manager may not select CDO Assets for addition to the CDO Portfolio.

The "**CDO Asset Initial Amount**" for each CDO Asset will equal the product of its CDO Asset Amount and its CDO Asset Initial Price (expressed as a percentage of par). The "**CDO Asset Amount**" of a CDO Asset will be equal to the principal amount (or, in the case of a Synthetic Security, (i) the principal amount of a Synthetic Security that is in the form of a note or (ii) the notional amount of a Synthetic Security that is in the form of a swap) of such CDO Asset (whether outstanding or not) committed to be funded, as designated by the Collateral Manager, on behalf of the Issuer, for inclusion in the CDO Portfolio. The "**CDO Asset Initial Price**" for each CDO Asset will be purchase price (expressed as a percentage of the CDO Asset Amount) thereof.

The CDO Portfolio Criteria

Each of the Indenture and the Collateral Management Agreement will provide that the CDO Assets (including the Warehoused Loans which will become the initial CDO Assets on the Closing Date) will be selected by the Collateral Manager in accordance with the investment

criteria summarized below (the "**CDO Portfolio Criteria**"). The Collateral Manager may direct the acquisition of any CDO Asset only if, based upon the reasonable judgment of the Collateral Manager, market values for such CDO Asset will be available from third party pricing services and/or dealer quotations. No representation or guarantee is made that the CDO Portfolio will at all times conform with the CDO Portfolio Criteria, and investors should be aware that failure to comply with the CDO Portfolio Criteria may not result in an Event of Default or in any party being liable under any of the Basic Documents or affect their obligations thereunder. If the CDO Portfolio fails to comply with the CDO Portfolio Criteria at any time, then any acquisition of a CDO Asset for the CDO Portfolio may not be made if such acquisition causes the CDO Portfolio to be further out of compliance. Compliance with the CDO Portfolio Criteria will be tested as of the trade date for each purchase of a CDO Asset after giving effect to such purchase and will not, except as set forth in the Indenture and with respect to clause (16) under "*The CDO Portfolio — The CDO Portfolio Criteria*," be re-tested prior to or on the settlement date relating to such purchase.

In determining whether an acquisition of a CDO Asset causes the CDO Portfolio to fail to comply with the CDO Portfolio Criteria (or, in the event that the CDO Portfolio is not in compliance with such criteria prior to the acquisition, in determining whether such acquisition causes the CDO Portfolio to be further out of compliance), all acquisitions and dispositions for any given day will be viewed on an aggregate basis (considering for this purpose only, acquisitions and dispositions that have their trade dates on such day but excluding paydowns and/or repayments that have not yet occurred), by comparing (a) the level of compliance with each of the CDO Portfolio Criteria applicable to the CDO Portfolio as a whole immediately prior to the first proposed acquisition or disposition on such day with (b) the level of compliance therewith that would result if all of the proposed acquisitions or dispositions for such day were effected on such day.

With respect to any CDO Assets that are committed to be acquired or disposed of pursuant to a Block Trade, compliance with the CDO Portfolio Criteria will be measured by determining the aggregate effect of such trades on the Issuer's level of compliance with such tests, rather than considering the effect of each acquisition and disposition of such CDO Assets individually.

The percentages referred in the CDO Portfolio Criteria set forth below are calculated on the basis of the applicable CDO Asset Initial Amount or Amounts, divided by U.S.$400,000,000; *provided* that, with respect to clause (16), during the Note Amortization Period, the applicable CDO Asset Initial Amount or Amounts shall be divided by the aggregate CDO Asset Initial Amount of all of the CDO Assets then in the CDO Portfolio. For the avoidance of doubt, the CDO Portfolio Criteria will not apply during the Note Amortization Period, other than clause (16) which shall apply at all times. For purposes of applying the CDO Portfolio Criteria to Synthetic Securities, (i) clauses (1), (2), (3), (6), (8), (9), (10), (11), (12), (16) and (17) shall be applied to the related Reference Obligation, (ii) clauses (4), (5), (7), (15), (18), (19) and (20) shall be applied to the Synthetic Security and (iii) clauses (13) and (14) shall not be applicable.

The CDO Portfolio Criteria will be as follows:

1. Maximum industry concentration of 10% under Fitch industry categories (see Table 1 below), except that:

    a. three industries may exceed 10% so long as no one industry exceeds 15%; and

    b. the top three industries in the aggregate cannot exceed 35%.

In the event that Fitch has not determined and disclosed to the Collateral Manager and to the Issuer the industry classification of an Obligor prior to and at the time the related CDO Asset is to be added to the CDO Portfolio, the Collateral Manager may cause the acquisition of such CDO Asset for the CDO Portfolio prior to receiving an industry categorization if the Collateral Manager determines in good faith the anticipated industry categorization that would be assigned by Fitch to such Obligor. It is understood that such determination of the anticipated categorization that Fitch will assign to an Obligor will not be a guarantee by the Collateral Manager of such assignment and it may be the case that after such CDO Asset has been added to the CDO Portfolio, Fitch will assign the Obligor of such CDO Asset to an industry classification different from that which was anticipated.

Table 1: Fitch's Industry Categories

1. Aerospace and Defense
2. Automobiles
3. Banking and Finance
4. Broadcasting/Media/Cable
5. Building and Materials
6. Business Services
7. Chemicals
8. Computers and Electronics
9. Consumer Products
10. Energy
11. Food, Beverage, and Tobacco
12. Gaming, Leisure and Entertainment
13. Health Care and Pharmaceuticals
14. Industrial/Manufacturing
15. Lodging and Restaurants
16. Metals and Mining
17. Packaging and Containers
18. Paper and Forest Products
19. Real Estate
20. Retail (General)
21. Supermarkets and Drug Stores
22. Telecommunications
23. Textiles and Furniture
24. Transportation
25. Utilities

2. A maximum of 10% (not including Approved Structured Securities) may have Obligors domiciled outside of the United States, and all such non-U.S. Obligors (other than Obligors with respect to Approved Structured Securities) must be domiciled (i) in Organization for Economic Cooperation and Development jurisdictions and (ii) where the sovereign has a long-term rating of at least "A" by Fitch, "A2" by Moody's and "A" by Standard & Poor's. In the case of CDO Assets with more than one Obligor, the Obligors will be deemed to be domiciled in the United States if the parent Obligor, principal credit Obligor, or primary guarantor of the Obligor is domiciled in the United States. Obligors domiciled in the United States include Obligors domiciled in Puerto Rico.

3. No single entity may be an Obligor for more than 2.0% (except that up to seven entities may individually be Obligors for more than 2.0%, but in no event for more than 2.5%).

4. All CDO Assets must be U.S. dollar denominated.

5. The Fitch Weighted Average Recovery Rate and the CDO Asset Portfolio Weighted Average Spread will be no less than the applicable percentage set forth in the matrix below and the Fitch Weighted Average Rating Factor will be no greater than the applicable value set forth in the matrix below, in each case, corresponding to the case elected by the Collateral Manager (except that this criterion will not apply until the earlier of (a) 120 days from the Closing Date or (b) the first date on which the aggregate CDO Asset Initial Amount exceeds U.S.$380,000,000). The Collateral Manager will determine which of the cases set forth in the table below will be applicable for purposes of determining compliance with the above. The Fitch Rating Factor(s) will be based on the Fitch Ratings on the CDO Assets or, if not available, based on the reasonable judgment of the Collateral Manager. On one Business Day's written notice to the Trustee and the Rating Agency, the Collateral Manager may elect a different case to apply to the CDO Assets, or may interpolate between cases on a straight line basis and round the results to two decimal points; *provided* that the CDO Assets comply with the case to which the Collateral Manager desires to change. In no event will the Collateral Manager be obligated to alter the case chosen on any date.

Case	Minimum Fitch Weighted Average Recovery Rate	Minimum CDO Asset Portfolio Weighted Average Spread	Maximum Fitch Weighted Average Rating Factor
1	69.70%	2.05%	22
2	68.25%	2.25%	22
3	66.95%	2.45%	22
4	65.70%	2.65%	22
5	70.80%	2.05%	23
6	69.40%	2.25%	23
7	68.10%	2.45%	23
8	66.90%	2.65%	23
9	72.25%	2.05%	24
10	70.90%	2.25%	24
11	69.68%	2.45%	24
12	68.50%	2.65%	24
13	73.15%	2.05%	25
14	71.90%	2.25%	25
15	70.65%	2.45%	25
16	69.60%	2.65%	25
17	74.05%	2.05%	26
18	72.75%	2.25%	26
19	71.65%	2.45%	26
20	70.50%	2.65%	26
21	74.85%	2.05%	27
22	73.60%	2.25%	27
23	72.45%	2.45%	27
24	71.40%	2.65%	27

6. A maximum of 15% may be revolving credit facilities or the unfunded portion of delayed draw term loans.

7. Maximum Leverage Factor ("**Maximum Leverage Factor**") will be (a) 3x, if the aggregate CDO Asset Initial Amount is less than U.S.$100,000,000, (b) 4x, if the aggregate CDO Asset Initial Amount is U.S.$100,000,000 or greater, but less than U.S.$200,000,000 and (c) 4.45x, if the aggregate CDO Asset Initial Amount is U.S.$200,000,000 or more.

8. A maximum of 5% may be unsecured or Junior Lien Loans. For purposes of this criterion, a CDO Asset will be deemed to be secured if either (a) it is secured by specific collateral of the Obligor, which may include but not be limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises or common or preferred stock of the Obligor or Affiliates of the Obligor or (b) the Obligor has provided a negative pledge of all of its assets.

9. A maximum of 10% may be unsecured. Junior Lien Loans or Second Lien Loans.

10. A maximum of 10% may be DIP Loans; *provided* that each such DIP Loan has an explicit rating by Fitch, or by either Moody's or Standard & Poor's and; *provided*, *further*, that the Issuer shall provide Fitch with copies of all notices received by the Issuer with respect to any modifications of or amendments to the terms of any DIP Loan.

11. A maximum of 10% may be loan participations; *provided* that the long-term unsecured obligations of each financial institution selling a participation that constitutes a CDO Asset must be rated at least "A-" by Fitch, "A3" by Moody's or "A-" by Standard & Poor's; *provided* that this criterion may be satisfied if any two of the three ratings are met so long as no single rating is below the listed rating.

12. Without the consent of the Majority Controlling Class Noteholders, no CDO Asset may be added to the CDO Portfolio if (a) such CDO Asset is secured primarily by a single real estate property, and (b) the CDO Asset is being syndicated to less than three unaffiliated institutions.

13. With the consent of the Majority Controlling Class Noteholders, a maximum of 5% may be Approved Structured Securities.

14. Without the consent of the Majority Controlling Class Noteholders, no CDO Asset may be added to the CDO Portfolio if the CDO Asset Initial Price thereof is less than 90%.

15. Minimum Leverage Factor ("**Minimum Leverage Factor**") of 3x (except that this criterion will not apply during the Accumulation Period or after the earlier of (a) any date on which a notice of optional redemption of the Notes in full has been given and (b) August 8, 2014).

16. A maximum of 10% may be Impaired Assets.

17. A maximum of 10% may be Conflict of Interest Loans.

18. Each CDO Asset added to the CDO Portfolio must have a Fitch Rating of at least "B-" at the time of purchase; *provided* that a maximum of 3% in the aggregate may be comprised of CDO Assets that, at the time of purchase, (i) have a Fitch Rating of "CCC+" or "CCC" or (ii) do not have a Fitch Rating but which the Collateral Manager, based on its reasonable commercial judgment, believes would have a rating of at least "B-" or equivalent if such CDO Asset were rated by Fitch and which will be deemed to have a Fitch rating of "B-" for all other purposes in the Indenture;

    In addition, a maximum of 2% may be comprised of CDO Assets which do not have a Fitch Rating but which the Collateral Manager, based on its reasonable commercial judgment, believes would have a rating of at least "B-" and for which the Collateral Manager has applied for a private rating from either Moody's or Standard and Poor's, and such CDO Assets will be deemed to have a Fitch rating of "B-" until such a private rating is obtained; *provided, further*, that once a private rating is obtained from Moody's or Standard and Poor's and is reviewed annually with a copy of the rating letter sent to the Trustee, the Fitch Rating will be the (a) average of the Moody's Rating and Standard and Poor's Rating or (b) provided that if a private rating is obtained only from either Moody's or Standard and Poor's it will be the Fitch equivalent of that private rating.

19. A maximum of 5% may be Synthetic Securities.

20. The aggregate CDO Asset Initial Amount of all of the CDO Assets outstanding at any time may not exceed U.S.$400,000,000.

In addition to the CDO Portfolio Criteria, the Issuer will not purchase any asset if such purchase would cause the Issuer to violate the restrictions contained in the Indenture and the Collateral Management Agreement against the Issuer being subject to net income tax or being engaged in United States trade or business for U.S. federal income tax purposes (the "**Purchase Criteria**").

Disposition of CDO Assets

The Collateral Manager will have the right to dispose of a CDO Asset from the CDO Portfolio (or reduce the CDO Asset Amount thereof) at any time.

If at any time the aggregate CDO Asset Initial Amount of Impaired Assets in the CDO Portfolio exceeds 10% of U.S.$400,000,000 (or, during the Note Amortization Period, the aggregate CDO Asset Initial Amount of Impaired Assets in the CDO Portfolio exceeds 10% of the aggregate CDO Asset Initial Amount of all of the CDO Assets then in the CDO Portfolio), the Collateral Manager will be required, within two Business Days, to provide written notice of such non-compliance with clause (16) of the CDO Portfolio Criteria to the Majority Controlling Class Noteholders. If (i) by the end of the second Business Day after the Collateral Manager provides such notice the Majority Controlling Class Noteholders do not deliver a written waiver of such non-compliance to the Collateral Manager, or (ii) the Majority Controlling Class Noteholders notify the Collateral Manager in writing of their election not to waive such non-

compliance, then the Collateral Manager will have seven Business Days to cause the aggregate CDO Asset Initial Amount of Impaired Assets to be no greater than 10% of U.S.$400,000,000 (or, during the Note Amortization Period, 10% of the aggregate CDO Asset Initial Amount of all of the CDO Assets then in the CDO Portfolio). If the Majority Controlling Class Noteholders elect to waive the non-compliance, such waiver will remain in effect until the Collateral Manager receives written notice from the Majority Controlling Class Noteholders of its election to revoke such waiver.

Reports

Pursuant to the Indenture, the Trustee will agree to prepare a number of reports.

A. CDO Portfolio Reports.

1. Based upon information provided to it by the Issuer, and where specified below, the Collateral Manager and the Rating Agency, the Trustee shall prepare and deliver, or cause to be prepared and delivered, to the Collateral Manager (on behalf of the Issuer) the following information (any such report, a "**CDO Portfolio Report**") determined, unless otherwise specified below, as of the related measurement date (the "**Measurement Date**") (which shall be for the report required by paragraph (a), the 1st day of each month, commencing November 2007, or if any such day is not a Business Day, the next succeeding Business Day (or, with respect to any month in which there is a Payment Date, the Measurement Date for the report required by paragraph (b)), and for the report required by paragraph (b), the fifth Business Day prior to the related Payment Date, commencing February 2008):

a. on or prior to the second Business Day following each Measurement Date, a report setting forth the following information: (i) the CDO Asset Initial Price and CDO Asset Amount of each CDO Asset added to, and the market value and CDO Asset Amount of each CDO Asset deleted from, the CDO Portfolio since the preceding Measurement Date; (ii) the industry classification of each Obligor under each CDO Asset added to the CDO Portfolio since the preceding Measurement Date; (iii) the interest rate spread and all-in rate payable by each Obligor for each distinct borrowing under each CDO Asset added to the CDO Portfolio since the preceding Measurement Date; (iv) the Market Value of the CDO Portfolio and each CDO Asset; (v) the amount of the accrued and unpaid Issuer and Administrative Expenses; (vi) the amount, as provided to the Trustee by the Collateral Manager, of accrued and unpaid fees, expenses and indemnity payments, if any, payable to the Collateral Manager under the Collateral Management Agreement; (vii) the rating assigned to each CDO Asset added to the CDO Portfolio since the preceding Measurement Date as determined in accordance with the terms of the Indenture; and

(viii) the balance in the Principal Collateral Account, the Interest Collateral Account and any Synthetic Security Counterparty Account as of the Measurement Date (assuming that all CDO Assets were sold on such date at Market Value and all Eligible Investments were sold on such date at fair market value);

b. on or prior to the second Business Day following each Measurement Date, a report setting forth all of the following information: (i) the Fitch Weighted Average Rating Factor; (ii) the CDO Asset Portfolio Weighted Average Spread; (iii) the Fitch Weighted Average Recovery Rate; (iv) the percentage of non-U.S. Obligors based on the CDO Asset Initial Amounts, the domicile of each non-U.S. Obligor and the rating of each related sovereign; (v) the individual percentages of the CDO Portfolio represented by CDO Assets of the same Obligor in the CDO Portfolio based on the CDO Asset Initial Amounts; (vi) the industry concentration for the CDO Portfolio based on the Fitch industry classification and the CDO Asset Initial Amounts; (vii) the allocation with respect to CDO Assets included in the CDO Portfolio categorized in terms of the CDO Portfolio Criteria set forth in the Indenture; and (viii) the average Leverage Factor for the CDO Portfolio since the preceding Measurement Date under this paragraph (b) and the Leverage Factor as of the current Measurement Date; and

c. such other information and reports as the Trustee and the Collateral Manager, on behalf of the Issuer, shall reasonably agree in writing from time to time.

2. The Trustee will prepare and deliver, or cause to be prepared and delivered, to the Noteholders and the Rating Agency the reports provided under paragraphs (a) and (b) above (i) with respect to the reports required by paragraph (a), on or before the 8th day of each month (or if any such day is not a Business Day, the immediately following Business Day) or, in the case of a month in which a report required by paragraph (b) is required, the day of such month on which such report is required to be delivered and (ii) with respect to the reports required by paragraph (b), on or before the Business Day prior to the related Payment Date.

B. Payment Date Reports.

The Trustee shall prepare and deliver or make available to the Issuer, the Collateral Manager and the Noteholders prior to each Quarterly Payment Date and the Maturity Date, a report as to the distributions to be made on such Quarterly Payment Date or the Maturity Date pursuant to the Quarterly Priority of Payments and the Maturity Date Priority of Payments (any such report, a "**Payment Date Report**"). Notwithstanding anything else herein, amounts known to the Trustee as of the fifth Business Day prior to the related Quarterly Payment Date or Maturity Date will be used for such determination, and the Trustee will be entitled to rely upon

the report in connection with the distributions to be made on the related Quarterly Payment Date or Maturity Date.

C. Tax Reports.

Pursuant to the Indenture, the Independent Accountants shall cause to be prepared and delivered the qualified electing fund information statements in accordance with the tax authorities in effect at such time (any such report, a "**Tax Report**").

D. Worldwide Web.

The Trustee may satisfy its obligation to furnish or distribute the CDO Portfolio Reports, Payment Date Reports or Tax Reports by making such reports available electronically through its corporate trust home page on the worldwide web (currently located at "https://www.tss.db.com/invr"); *provided*, that such reports shall be password protected. In addition, the Trustee may post, on terms acceptable to it and the Collateral Manager, the Indenture for the Notes, any amendments or supplements thereto and other such information and reports on its corporate trust website. Nothing shall obligate the Trustee to maintain such a website page.

Voting and Information Rights

The Collateral Manager will have the right to exercise any voting or other rights with respect to the CDO Assets. The Collateral Manager has agreed, subject to certain limitations concerning conflict of interest situations, to evaluate the information and exercise any rights the Issuer may have with respect to the CDO Assets. See "*The Collateral Manager*" and "*The Collateral Management Agreement*" herein.

General Information Regarding Commercial Loans

The commercial loans that will largely comprise the CDO Assets are typically at the most senior level of a borrower's capital structure, and are often secured by specific collateral, including but not limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises and common and preferred stock of affiliates of the borrower. Commercial loans often provide for restrictive covenants designed to limit the activities of the borrower in an effort to protect the right of lenders to receive timely payments of interest on and repayment of principal of the bank loans. Such covenants may include restrictions on dividend payments, specific mandatory minimum financial ratios, limits on total debt and other financial tests. Commercial loans usually have shorter terms than more junior obligations and may require mandatory prepayments from excess cash flow, asset dispositions and offerings of debt and/or equity securities. Because of the provision of confidential information, the unique and customized nature of the loan agreement, and the private syndication of the loan, bank loans are not as easily purchased or sold as publicly traded securities, and historically the trading volume in the bank loan market has been small relative to the high yield bond market.

The majority of such commercial loans bear interest based on a floating rate index: the London interbank offered rate or "LIBOR," the certificate of deposit rate, a prime or base rate or other index (each as defined in the applicable loan agreement), which may reset daily (as most

prime or base rate indices do) or offer the borrower a choice of one, two, three, six, nine or twelve month interest calculation periods. The purchaser of a commercial loan may receive certain syndication or participation fees in connection with its purchase. Other fees payable in respect of a commercial loan, which are separate from interest payments on such commercial loan, may include facility, commitment, amendment, letter of credit and prepayment fees.

Market-makers and syndicators of commercial loans are predominantly investment and commercial banks, who have applied their experience in high yield securities and emerging market trading groups to the commercial and industrial loan market, acting as both principal and broker. The range of investors for commercial loans has broadened to include money managers, arbitrageurs, bankruptcy investors and mutual funds seeking increased potential total returns. As secondary market trading volumes increase, new commercial loans are frequently adopting standardized documentation and settlement practices to facilitate loan trading which may be expected to improve market liquidity. There can be no assurance, however, that future levels of supply and demand in bank loan trading will continue to provide the degree of liquidity which currently exists in the market.

THE INDENTURE

General

The following summary generally 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, which is incorporated herein by reference. A copy of the Indenture may be obtained upon request by prospective purchasers of the Notes from the Placement Agent.

Duties of Trustee

The Trustee undertakes to perform only the duties specifically set forth in the Indenture. In the absence of willful malfeasance, gross negligence (or, in the case of the handling of funds, negligence), bad faith or reckless disregard of its duties on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee conforming to the requirements of the Indenture; *provided*, *however*, that the Trustee will examine the certificates and opinions to determine whether or not they conform on their face to the requirements of the Indenture and will promptly, but in any event within three Business Days in the case of a certificate furnished by the Collateral Manager or the Issuer, notify the party delivering the same if such certificate or opinion does not conform.

The Trustee may not be relieved from liability for its own grossly negligent (or, in the case of the handling of funds, negligent) action, its own grossly negligent (or, in the case of the handling of funds, negligent) failure to act, its own willful malfeasance, its own bad faith or its own reckless disregard of obligations, except that the Trustee will not be liable for an error of judgment made in good faith by a Responsible Officer unless it shall have been proven that the Trustee was grossly negligent (or, in the case of the handling of funds, negligent), reckless, acted in bad faith or engaged in willful misconduct, and will not be liable with respect to any action it

takes or omits to take in good faith in accordance with a direction received by it from the Majority Noteholders. The Trustee will not be required to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers, if it has reasonable grounds to believe that repayments of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. In no event will the Trustee be liable under the Indenture for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. The Trustee will, upon receipt of reasonable (but no less than two Business Days') prior written notice to the Trustee from the Majority Controlling Class Noteholders, permit any representative of the Noteholders designated in such written notice, during the Trustee's normal business hours, to examine all books of account, records, reports and other papers of the Trustee relating to the Notes (other than items protected by attorney-client privilege or the disclosure of which would violate applicable law), to make copies and extracts therefrom (the reasonable out-of-pocket expenses incurred by the Trustee in making any such copies or extracts to be at the expense of such Noteholder) and to discuss the Trustee's actions, as such actions relate to the Trustee's duties with respect to the Notes, with the Trustee's officers and employees responsible for carrying out the Trustee's duties with respect to the Notes.

Application of Issuer Moneys

General. All moneys deposited with the Trustee are required to be held in the name of the Issuer and applied by it in accordance with the provisions of the Indenture, including the payment of all amounts payable under the terms of, and as limited by, the Indenture. See "*Description of the SERVES — Indenture Accounts and Distributions*."

Investment of Moneys. The Trustee will invest amounts on deposit in the Accounts at the direction of the Collateral Manager. Amounts not invested in CDO Assets will be invested in investments with the following characteristics: (i) 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; (ii) publicly traded corporate debt obligations which (A) having a maturity of not more than 90 days, and (B) have ratings satisfying at least two of the following criteria: (1) at least "P1" by Moody's, (2) at least "A1" by Standard & Poor's, and (3) at least "F1" by Fitch, and have no lower rating by Moody's, Standard & Poor's or Fitch as selected by the Collateral Manager; or (iii) any money market fund or similar investment vehicle having at the time of investment therein the highest credit rating assigned by any one of Standard & Poor's, Moody's or Fitch; *provided* that (x) such fund or vehicle is formed outside the United States and is not engaged in a United States trade or business, (y) no income to be received from such fund or vehicle is or will be subject to deduction or withholding for or on account of any withholding or similar tax, and (z) the ownership of an interest in such fund or vehicle will not subject the Issuer to net income tax in any jurisdiction.

Reports by Trustee to Noteholders

Pursuant to the terms of the Indenture, the Trustee shall prepare or make available the CDO Portfolio Reports, the Payment Date Reports and the Tax Reports identified under "*The CDO Portfolio — Reports*." In addition, the Trustee must deliver to each Noteholder such information with respect to the Notes as may be required to enable such Noteholder to prepare its U.S. federal, state and local income tax returns, all other reports or notices prepared by the Collateral Manager in accordance with the Collateral Management Agreement and received by the Trustee and Section 3(c)(7) reminder notices provided by the Issuer to the Trustee.

The Trustee will be required to provide notice promptly to the Collateral Manager and the Noteholders in the event that the Trustee does not timely receive any reports required to be provided to the Trustee pursuant to the Indenture.

Notices

Notwithstanding any provision to the contrary contained herein or in the Indenture or in any agreement or document related to the Indenture, any report, statement or other information to be provided by the Trustee, other than such notices required to be delivered by the Trustee relating to (i) the occurrence of a Threshold Value Event, (ii) the occurrence of a Default or an Event of Default, (iii) the resignation of the Trustee, (iv) the appointment of a successor Trustee, or (v) any supplemental indenture, may be provided by providing access to the Trustee's website containing such information; *provided* that, if any Person entitled to receive such report, statement or other information from the Trustee requests that the Trustee provide notification via electronic mail of such posting on its website and provides the Trustee with a valid electronic mail address for such purpose, the Trustee will provide such notification in a timely manner; *provided*, *further*, that upon the written request of any Person entitled to receive such report, statement or other information from the Trustee, the Trustee will mail to such Person any such reports, statements or other information otherwise being provided electronically. Such reports and notices will be deemed to have been given on the date of such posting.

Indemnification

The Trustee and its Affiliates, and each officer, director, employee, stockholder, agent or partner of any of them, and any person who is or was serving at the request of the Trustee (each an "**Indenture Indemnified Person**") will be indemnified, to the fullest extent permitted by law, by the Issuer, whether or not any of the transactions contemplated by the Indenture are consummated, against all losses to which such Indenture Indemnified Person may become subject or with which such Indenture Indemnified Person may be threatened by reason of or in connection with such Indenture Indemnified Person serving or having served in such capacity or any agency capacity for or in connection with the Issuer or the Basic Documents, or by reason of any action or alleged action or omission or alleged omission by an Indenture Indemnified Person in any capacity described above, including the costs, expenses and attorney fees incurred to enforce the relevant Indenture provisions, except for any losses resulting from or attributable to such Indenture Indemnified Person's willful malfeasance, gross negligence (or, in the case of the handling of funds, negligence), bad faith or reckless disregard of obligations in the performance of its duties or the criminal conduct of such Indenture Indemnified Person. The obligation of the

Issuer under the Indenture to compensate and reimburse the Trustee, including in any agency capacity, and to indemnify Indenture Indemnified Persons, will be paid in accordance with the Indenture.

In determining whether an Indenture Indemnified Person acted with willful malfeasance, gross negligence (or, in the case of the handling of funds, negligence), bad faith or reckless disregard of obligations, the good faith reliance of such Indenture Indemnified Person (a) as to non-financial matters, upon the opinion of counsel to the Issuer, or opinion of counsel to such Indenture Indemnified Person, as applicable, which counsel shall be selected with due care and in good faith, in respect of the matter in question that such action or omission is authorized and permitted by the Indenture and by other applicable law, or as to financial matters, upon the report, opinion or financial information prepared or reviewed by an internationally recognized investment banking firm or other internationally recognized financial, business or economic consultant, or by independent public accountants, in each case selected with due care and in good faith, will be presumed, in the absence of an express showing to the contrary, to constitute good faith reliance by, and without willful malfeasance, gross negligence (or, in the case of the handling of funds, negligence), bad faith or reckless disregard of obligations on the part of such Indenture Indemnified Person as to the matters covered thereby or information included therein, unless such Indenture Indemnified Person has actual knowledge of the inaccuracy of facts expressly assumed or relied upon by such counsel, investment bank, consultant or accountants or was acting recklessly in relying on such counsel, investment bank, consultant or accountants and (b) as to any matter or fact set forth therein, on the books and records of the Issuer, will be presumed to constitute good faith reliance by, and without willful malfeasance, gross negligence (or, in the case of the handling of funds, negligence), bad faith or reckless disregard of obligations on the part of, such Indenture Indemnified Person, unless it can be shown by competent evidence that such Indenture Indemnified Person knew that the matter or fact was incorrect as presented or was acting recklessly in relying on the matter or fact set forth.

The right of indemnification described above is in addition to any rights to which the Person seeking indemnification may otherwise be entitled, whether by law, agreement or otherwise. By purchase of a Note, each Noteholder will be deemed to acknowledge that the Trustee takes the benefit of the indemnity provided in the Indenture on its own behalf and on behalf of its Affiliates, and each officer, director, employee, stockholder, agent or partner of any of them, and will be deemed to agree that the benefit of the indemnity will accrue to the Trustee, its Affiliates, and each officer, director, employee, stockholder, agent or partner thereof as if each of them had been named as a party to the Indenture. The Issuer will be obligated to pay the reasonable expenses incurred by any Indenture Indemnified Person in investigating, preparing or defending a claim that relates to the performance of duties or services by the Indenture Indemnified Person as provided in the Indenture (other than a claim asserted by a Noteholder) in advance of the final disposition of such claim, upon receipt of an undertaking by such Indenture Indemnified Person to repay such payment if there is an adjudication that such Indenture Indemnified Person is not entitled to indemnification as set forth therein; *provided* that the Issuer shall not pay the expenses incurred by any Indenture Indemnified Person in connection with any successful action suit or Proceeding commenced by the Issuer against such Indenture Indemnified Person. The Noteholders may indemnify certain agents or advisors retained by the Issuer or the Trustee in connection with the Issuer's affairs on terms determined, in good faith,

by the Trustee; *provided*, that such indemnities are not inconsistent with the indemnities provided in the Indenture.

Replacement of Trustee

The Trustee may resign at any time by providing 90 days' prior written notice to the Noteholders, the Collateral Manager, the Issuer and the Rating Agency. The Majority Controlling Class Noteholders may remove the Trustee in their sole discretion by so notifying the Trustee and the Issuer and may appoint a successor Trustee. In any such vote to remove the Trustee, the Trustee and its Affiliates shall not be entitled to vote with respect to any Notes held by the Trustee or any of its Affiliates (other than in a fiduciary capacity), and any Notes owned by the Trustee or any of its Affiliates (other than in a fiduciary capacity) shall be deemed to be not outstanding for purposes of determining the Majority Controlling Class Noteholders. Any resignation or removal will become effective as described below. The Issuer must remove the Trustee immediately if (a) the Trustee fails to comply with the eligibility requirements, (b) the Trustee fails to comply with any lawful action or request for action made to the Trustee in accordance with the terms of the Indenture by the Majority Controlling Class Noteholders, (c) the Trustee is adjudged bankrupt or insolvent, (d) a receiver or other public officer takes charge of the Trustee or its property or (e) the Trustee otherwise becomes incapable of acting. The "**Controlling Class**" will be (a) the Class A Notes, (b) if there are no Class A Notes outstanding, the Class B Notes, (c) if there are no Class A Notes or Class B Notes outstanding, the Class C Notes, (d) if there are no Class A Notes, Class B Notes or Class C Notes outstanding, the Class D Notes or (e) if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes outstanding, the Class E Notes.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Issuer must, at the direction of the Majority Controlling Class Noteholders (but for this purpose treating any Notes held by the Trustee and any of its Affiliates (other than in a fiduciary capacity) as not outstanding), promptly appoint a successor Trustee which meets the eligibility requirements set forth in the Indenture. A successor Trustee shall be required to deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under the Indenture. The successor Trustee will mail a notice of its succession to the Noteholders. The retiring Trustee will promptly transfer or cause to be transferred all property and any related agreements, documents and statements held by it as Trustee to the successor Trustee and the retiring Trustee will execute and deliver such instruments and do such other things as may reasonably be required for fully and certainly vesting in the successor Trustee all rights, powers, duties and obligations under the Indenture and in making an orderly transfer of the duties of the Trustee.

In no event will the retiring Trustee be liable for the acts or omissions of any successor Trustee under the Indenture. All fees, charges and expenses of the retiring Trustee shall be paid on the immediately following Quarterly Payment Date, as provided in the Indenture. If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or any Noteholder may petition any court of competent jurisdiction for the appointment of a successor Trustee. If the Trustee fails to comply with the

eligibility requirements, any Noteholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. The Issuer's obligations for compensation and indemnification will continue for the benefit of the retiring Trustee, but only with respect to the period prior to the resignation or removal.

Satisfaction and Discharge of Indenture

The Indenture will cease to be of further effect with respect to the Notes except as to: (a) rights of registration of transfer and exchange of the Notes; (b) substitution of mutilated, destroyed, lost or stolen Notes; (c) rights of Noteholders to receive payments of principal thereof and interest thereon; (d) certain covenants of the Issuer; (e) the rights, obligations and immunities of the Trustee thereunder; and (f) the rights of Noteholders as beneficiaries thereof with respect to the property deposited with the Trustee payable to all or any of them, and the Trustee, on demand of and at the expense of the Issuer, will execute proper instruments acknowledging satisfaction and discharge of the Indenture with respect to the Notes, if (i) all Notes previously authenticated and delivered (other than Notes (A) that have been destroyed, lost or stolen and that have been replaced or paid and (B) for whose payment money has theretofore been irrevocably deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the Trustee for cancellation; (ii) the Issuer has paid or caused to be paid all other sums payable under the Indenture by the Issuer; and (iii) the Issuer has delivered to the Trustee an officer's certificate and an opinion of counsel, each stating that all conditions precedent described in the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Events of Default; Threshold Value Event

Pursuant to the Indenture, an "**Event of Default**" includes any of the following events: (a) failure to pay interest on the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes at the applicable Note Rate, any Break Funding Amount or principal of the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes as and when the same is scheduled to be paid, which failure continues unremedied for a period of five Business Days following the date on which such interest or principal is scheduled to be paid (or seven Business Days if such non-payment was the result of an administrative error or omission by the Trustee, the Collateral Administrator, the Note Registrar or any Paying Agent (as certified in writing by the Trustee to the Issuer)); (b) a Threshold Value Event occurs and continues unremedied for a period of five Business Days (or such longer period as is agreed to by the Majority Controlling Class Noteholders) after the end of the Notice Period with respect thereto; (c) the Issuer fails to perform or observe any other covenant, condition or agreement in the Indenture, the Notes or the other Basic Documents (i) which failure has had, or could reasonably be expected to have, a material adverse effect on the Noteholders and (ii) such failure continues for a period of 45 days after the date of the Issuer's receipt of written notice thereof (with a copy to the Collateral Manager) from the Trustee; or (d) the occurrence of certain events of bankruptcy, insolvency, receivership or reorganization with respect to the Issuer.

A "**Threshold Value Event**" will be deemed to occur and be continuing if, as determined on the Thursday of each week using the most recent available price information as of the close of business on the immediately preceding Wednesday, (a) the Market Value of the CDO Assets and

the fair market value of Eligible Investments held in the Principal Collateral Account, the Interest Collateral Account and each of the Synthetic Security Counterparty Accounts (together with any cash therein), minus (b) sum of amounts accrued and payable pursuant to paragraphs (1) through (6) of the Maturity Date Priority of Payments assuming such Thursday were the Maturity Date, is less than (c) the Threshold Value. The "**Threshold Value**" means (a) from the Closing Date to and including August 8, 2013, an amount equal to the lesser of (i) 6.6667% of the aggregate CDO Asset Initial Amount of all of the CDO Assets in the CDO Portfolio as of the date of determination and (ii) U.S.$24,000,000; and (b) thereafter, an amount equal to 6.6667% of the aggregate CDO Asset Initial Amount of all of the CDO Assets in the CDO Portfolio as of the date of determination.

Subject to the consent of the Majority Controlling Class Noteholders, a Threshold Value Event may be cured by the issuance of additional Class E Notes to existing holders of the Notes in an aggregate principal amount sufficient to satisfy the above-described Threshold Value Event test. See "*Description of the SERVES — Additional Issuance of Class E Notes to Cure Threshold Value Event*."

Acceleration of Maturity Date; Rescission and Annulment

If an Event of Default described in clause (a) or (c) in the first paragraph under "*— Events of Default; Threshold Value Event*" above, should occur and be continuing, the Trustee (upon the written instructions of the Majority Controlling Class Noteholders) will, or the Majority Controlling Class Noteholders may, declare all the Notes to be immediately due and payable by a notice in writing to the Issuer (and to the Trustee if given by the Majority Controlling Class Noteholders) setting forth the Event or Events of Default, and upon any such declaration the Outstanding Principal Amount of the Notes will immediately be due and payable and the payment date therefor will be the tenth Business Day after such declaration (together with interest thereon to such tenth Business Day). Upon the establishment of an Event of Default upon the continuation of a Threshold Value Event or the bankruptcy of the Issuer as set forth above, the Outstanding Principal Amount of the Notes will automatically be deemed due and payable, together with interest thereon to the payment date, which shall be the tenth Business Day after such event. Upon any such acceleration, the Noteholders and the Collateral Manager will also receive the other distributions provided for under the Indenture, subject to the priority of payment provisions described under "*Description of the SERVES — Priority of Payments*."

Upon the occurrence of an Event of Default described in clause (a) or (c) in the first paragraph under "*— Events of Default; Threshold Value Event*" above, after a declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee, or, upon the occurrence of an Event of Default described in clause (b) in the first paragraph under "*— Events of Default; Threshold Value Event*" above, at any time prior to the tenth Business Day thereafter, the Majority Controlling Class Noteholders, by written notice to the Issuer and the Trustee, may waive any Event of Default set forth in such notice, and rescind and annul such declaration and its consequences; *provided*, *however*, that no such rescission and annulment may extend to or affect any subsequent default or impair any right consequent thereto; *provided*, *further*, that if the Trustee has proceeded to enforce any right under the Indenture and such proceedings have been discontinued or abandoned because of such rescission and annulment or for any other reason, or

have been determined adversely to the Trustee, then and in every such case, the Trustee, the Issuer and the Noteholders, as the case may be, will be restored respectively to their former positions and rights under the Indenture, and all rights, remedies and powers of the Trustee, the Issuer and the Noteholders, as the case may be, will continue as though no such proceedings had been taken.

Collection of Indebtedness and Enforcement by Trustee

If an Event of Default occurs and is continuing, the Trustee shall proceed to protect and enforce its rights and the rights of the Noteholders, by such appropriate proceedings as directed by the Majority Controlling Class Noteholders, to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Indenture or in aid of the exercise of any power granted therein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by the Indenture or by law.

If there are pending proceedings related to the Issuer under the Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or other similar law, or if a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official has been appointed for or taken possession of the Issuer or its property, the Trustee, irrespective of whether the principal of any Notes will then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee has made any demand pursuant to the provisions of the Indenture, will be entitled and empowered, by intervention in such proceedings or otherwise:

(a) to file and prove a claim or claims for the whole amount of principal, interest and any other amounts owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred (including costs of collection and enforcement), and all advances made, by the Trustee except as a result of willful malfeasance, gross negligence (or, in the case of the handling of funds, negligence) or reckless disregard of obligations) and of the Noteholders allowed in such proceedings;

(b) unless prohibited by applicable law and regulations, to vote on behalf of the Noteholders in any election of a trustee, a standby trustee or Person performing similar functions in any such proceedings;

(c) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Noteholders and of the Trustee on their behalf; and

(d) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee or the Noteholders allowed in any judicial proceedings relative to the Issuer, its creditors and its property.

Any trustee, receiver, liquidator, custodian or other similar official in any such proceeding is authorized pursuant to the Indenture by each of such Noteholders to make

payments to the Trustee, and, if the Trustee consents to the making of payments directly to such Noteholders, to pay to the Trustee such amounts as are sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other reasonable expenses and liabilities incurred, and all advances made by the Trustee and each predecessor Trustee except to the extent that any such advance was made as a result of gross negligence (or, in the case of the handling of funds, negligence), willful malfeasance or reckless disregard of obligations.

The Trustee will not have the authority to consent to or vote for or accept or adopt on behalf of the Noteholders any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of the Noteholders or to vote in respect of the claim of the Noteholders in any such proceeding except, as noted above, to vote for the election of a trustee in bankruptcy or similar Person.

All rights of action and asserting of claims under the Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes or the production thereof in any trial or other proceedings relative thereto, and any such proceedings instituted by the Trustee will be brought in its own name as Trustee of an express trust, and any recovery of judgment, subject to the payment of the reasonable expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, will be for the ratable benefit of the Noteholders, as their respective interests may appear.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of the Indenture to which the Trustee is a party), the Trustee will be held to represent all the Noteholders, and it will not be necessary to make any Noteholder a party to any such proceedings.

Limitation of Suits

No Noteholder will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or Trustee, or for any other remedy thereunder, unless (a) such Noteholder has previously given written notice to the Trustee of a continuing Event of Default; (b) the Majority Controlling Class Noteholders have made written request to the Trustee to institute such proceeding in respect of such Event of Default in its own name as Trustee thereunder; (c) such Noteholder or Noteholders have offered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in complying with such request; (d) the Trustee, for 60 days after its receipt of such notice, request and offer of indemnity, has failed to institute such proceedings; and (e) no written direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Majority Controlling Class Noteholders; *provided* that no one or more Noteholders 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 Noteholders or to obtain or to seek to obtain priority or preference over any other Noteholders or to enforce any right under the Indenture, except in the manner therein provided and for the equal, ratable and common benefit of all Noteholders. For the protection and enforcement of the provisions of the Indenture, each and every Noteholder will be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provisions of the Indenture, if the Trustee receives conflicting or inconsistent requests and indemnity from two or more groups of Noteholders, each representing 50% or less of the Outstanding Principal Amount of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes, as the case may be, the Trustee will not follow either such request. To the extent the subject of any such request is expressly delegated to the Collateral Manager under the Indenture, the Collateral Management Agreement or the Collateral Administration Agreement, the Trustee will follow the instructions of the Collateral Manager.

Control by Noteholders

The Majority Controlling Class Noteholders, subject to the Majority Controlling Class Noteholders providing to the Trustee security or indemnity satisfactory to the Trustee against costs, expenses and liabilities in a form satisfactory to the Trustee, have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to the Notes or exercising any trust or power conferred on the Trustee; *provided*, *however*, that (a) such direction is not in conflict with any rule of law or with the Indenture; (b) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction; and (c) subject to the provisions of the Indenture, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve the Trustee in personal liability against which the indemnity provisions of the Indenture would not be satisfactory.

Waiver of Past Defaults

Prior to the declaration of the acceleration of the maturity of the Notes as provided in the Indenture, the Majority Controlling Class Noteholders may waive any past Event of Default and its consequences except a default (a) in the payment of principal of or interest on the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes, as the case may be, or (b) in respect of a covenant or provision which cannot be modified or amended without the consent of the holder of each Note. In the case of any such waiver, the Issuer, the Trustee and the Noteholders will be restored to their former positions and rights under the Indenture, respectively. Upon any such waiver, such default will cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom will be deemed to have been cured and not have occurred, for every purpose of the Indenture; but no such waiver will extend to any subsequent or other Event of Default or impair any right consequent thereto.

Undertaking for Costs

All parties to the Indenture agree, and each holder of any Note by such holder's acceptance thereof will be deemed to have agreed, that any court may in its discretion require, in any proceeding for the enforcement of any right or remedy under the Indenture, or in any proceeding against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such proceeding of an undertaking to pay the costs of such proceeding and that such court may in its discretion assess costs, including reasonable attorneys' fees, against any party litigant in such proceeding, having due regard to the merits and good faith of the claims or defenses made by such party litigant; *provided* that the provisions of the

Indenture will not apply to (a) any proceeding instituted by the Trustee; (b) any proceeding instituted by any Noteholder or group of Noteholders, in each case holding in the aggregate more than 10% of the Outstanding Principal Amount of the Notes; or (c) any proceeding instituted by any Noteholder for the enforcement of the payment of principal of or interest on any Note on or after the respective due dates expressed in such Note and in the Indenture.

Supplemental Indentures

With the consent of a Majority of each Class of Notes materially and adversely affected thereby, the Issuer may execute one or more supplemental indentures to add provisions to, or change in any manner or eliminate any provisions of, the Indenture or modify in any manner the rights of the Noteholders of such Class. Unless notified prior to the execution of such supplemental indenture by a Majority of any Class of Notes that such Class of Notes will be materially and adversely affected, the Trustee will be fully protected in conclusively relying upon an officer's certificate of the Issuer or the Collateral Manager or an Opinion of Counsel (which may rely on an officer's certificate of the Issuer or the Collateral Manager) as to whether or not such Class of Notes would be materially and adversely affected by such change (after giving notice of such proposed change to the Noteholders). Such determination will be conclusive and binding on all present and future Noteholders.

Notwithstanding the foregoing or anything contained herein to the contrary, any amendment to the CDO Portfolio Criteria, other than any amendment modification or supplement set forth under "*—Without Consent of Noteholders*" below, will require the written consent of the Majority Noteholders (rather than the Majority of each Class of Notes materially and adversely affected thereby) and the Collateral Manager and satisfaction of the Rating Agency Condition.

The Collateral Manager will be bound to follow any amendment or supplement to the Indenture (i) of which it has received written notice (with a copy of such amendment or supplement) from the Issuer or the Trustee at least ten Business Days prior to the execution and delivery of such amendment or supplement or (ii) to which it has consented; *provided*, *however*, that notwithstanding anything to the contrary, with respect to any amendment or supplement to the Indenture which adversely affects the Collateral Manager (including, without limitation, amendments with respect to fees, duties, liabilities and expenses), (i) the Collateral Manager will not be bound if it gives written notice to the Trustee and the Issuer of its objection to such amendment or supplement at least two Business Days prior to such execution and delivery and (ii) the Issuer will not enter into any such amendment or supplement to the Indenture without the Collateral Manager's consent.

With Consent of Noteholders. Without the consent of the Collateral Manager, the holders of each outstanding Note materially and adversely affected, no supplemental indenture may:

(i) change the Scheduled Maturity Date of the principal of or the due date of any installment of interest on any Note (including, in the case of the Class A-1 Revolving Notes, any Break Funding Amounts), reduce the principal amount thereof or the interest rate thereon with respect to any Note, or change the earliest date on which any Note may be redeemed at the option of the Issuer, change the provisions of the Indenture that apply the proceeds of any

Collateral to the payment of principal of or interest on the Notes, or change any place where, or the coin or currency in which, any Note 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 maturity thereof (or, in the case of redemption, on or after the redemption date);

(ii) reduce the percentage of the Outstanding Principal Amount of any Class whose consent is required for the authorization of any such supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder or their consequences provided for in the Indenture;

(iii) modify or alter the circumstances in which Notes owned by the Issuer, the Trustee or any of their affiliates may be included in determining whether the Noteholders have given any request, demand, authorization, direction, notice, consent or waiver;

(iv) impair or adversely affect the security interest of the Trustee under the Indenture in the Collateral except as otherwise permitted by the Indenture;

(v) 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 or terminate such lien on any property at any time subject thereto or deprive any Noteholder of the security afforded to such Noteholder by the lien of the Indenture;

(vi) reduce the percentage of the Outstanding Principal Amount of the Notes required to amend the sections of the Indenture which specify the aggregate principal amount of the Notes the consent of the Noteholders of which is necessary to amend the Indenture or the other Basic Documents;

(vii) reduce the percentage of the Outstanding Principal Amount of any 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;

(viii) modify any of the provisions of the Indenture with respect to supplemental indentures requiring the consent of the holders of the Notes except to increase the percentage in Outstanding Principal Amount of a Class of Notes required for any such action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the Noteholder of each outstanding Note affected thereby; or

(ix) modify any of the provisions of the Indenture in such a manner as to adversely modify the calculation of the amount of any payment of interest on any Note on any Payment Date or to affect the rights of the Noteholders to the benefit of any provisions for the redemption of such Notes contained therein;

provided that nothing in clauses (i) through (ix) above is intended to apply to a supplemental indenture otherwise permitted by the Indenture that may affect indirectly the amount available for application under the Priority of Payments.

If any Notes are rated by the Rating Agency, the Trustee and the Issuer will not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating

Agency Condition is not satisfied; *provided*, *however*, that the Trustee and the Issuer may, with the consent of each Noteholder of the Class of Notes whose rating will be reduced or withdrawn, after notice to such Noteholders that the proposed supplemental indenture would result in such reduction or withdrawal, enter into any such supplemental indenture notwithstanding the fact that the Rating Agency Condition has not been satisfied. Unless notified prior to the execution of such supplemental indenture by a Majority of any Class of Notes that such Class of Notes will be materially and adversely affected, the Trustee may rely on a certificate of an officer of the Issuer or the Collateral Manager or an Opinion of Counsel (which may rely on a certificate of an officer of the Issuer or the Collateral Manager) as to whether or not such Class of Notes would be materially and adversely affected by such change (after giving notice of such proposed change to the Noteholders). Such determination will be conclusive and binding on all present and future Noteholders.

Without Consent of Noteholders. The Issuer and the Trustee may also enter into supplemental indentures, without obtaining the consent of holders of the Notes, in order to, among other things:

(i) evidence the succession of any Person to the Issuer and the assumption by any such successor Person of the covenants and obligations of the Issuer in the Notes and the Indenture;

(ii) add to the covenants of the Issuer or the Trustee for the benefit of the Noteholders or to surrender any right or power conferred upon the Issuer; *provided* that, as evidenced by a certificate of the Collateral Manager, such addition or surrender does not have a material adverse effect on any Noteholder;

(iii) 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 Notes;

(iv) evidence and provide for the acceptance of appointment by a successor trustee under the Indenture 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, pursuant to the requirements of the Indenture;

(v) provide for the issuance of additional Class E Notes to the extent permitted by the Indenture and to extend to such Notes the benefits and provisions of the Indenture applicable to the Notes;

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

(vii) to modify the restrictions on and procedures for resales and other transfers of Notes to reflect any changes in applicable law or regulation (or the interpretation thereof) or to comply with the USA PATRIOT Act or other similar laws (to the extent they are applicable to the Issuer or the Collateral Manager) or to enable the Issuer to rely upon any 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;

(viii) accommodate the issuance of the Notes in book-entry form through the facilities of DTC or otherwise;

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

(x) obtain ratings, without cost to the Issuer, on one or more Classes of the Notes from the Rating Agency;

(xi) correct any manifest error in any provision of the Indenture upon receipt by the Trustee of written direction from the Issuer (as to which the Trustee may conclusively rely) describing in reasonable detail such error and the modification necessary to correct such error;

(xii) 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 U.S. trade or business or otherwise subject to U.S. Federal, State or local income or franchise tax on a net income tax basis;

(xiii) accommodate the listing or delisting of, or to maintain the listing of any Class of Notes on any stock exchange;

(xiv) otherwise to correct any inconsistency, typographical error, ambiguity or mistake in the Indenture;

(xv) to make any amendments or adjustments to the CDO Portfolio Criteria elected by the Collateral Manager such that following the entering into of such supplemental indenture, such criteria shall be in compliance with the published guidelines, methodology or standards established by the Rating Agency, if the Collateral Manager delivers a certificate to the Issuer and the Trustee that such amendments or adjustments will not have a material effect on the credit quality of the Notes and the Majority Controlling Class Noteholders consent thereto;

(xvi) to amend the Purchase Criteria elected by the Collateral Manager if the Collateral Manager delivers a certificate to the Issuer and the Trustee that such amendments will not have a material effect on the Noteholders and the Issuer and the Trustee have received an Opinion of Counsel from a nationally recognized tax counsel that such amendment will not have a material adverse effect on the conclusion that the Issuer is not engaged in a trade or business in the United States for U.S. federal income tax purposes;

(xvii) facilitate the transfer of Notes in accordance with applicable law, which may include providing for the maintenance of a book-entry trading system;

(xviii) avoid the Issuer or the pool of Collateral being required to register as an "investment company" under the Investment Company Act;

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

(xx) amend or otherwise modify any reference herein to "Fitch Rating" or a rating assigned by Fitch; or

(xxi) conform the Indenture to the terms of this Private Placement Memorandum with respect to the Notes.

Not later than 15 Business Days prior to the execution of any proposed supplemental indenture pursuant to the above provisions, the Trustee, at the expense of the Issuer, will mail to the Noteholders, the Collateral Manager and the Rating Agency (so long as any Notes are outstanding) a copy of such supplemental indenture (or a description of the substance thereof) and will request any required consent from the applicable Noteholders. Any consent given to a proposed supplemental indenture by a Noteholder will be irrevocable and binding on all future Noteholders or beneficial owners of that Note, irrespective of the execution date of the supplemental indenture. At the request of the Collateral Manager or the Issuer, the Trustee will notify the Issuer and the Collateral Manager which Noteholders have consented to the proposed supplemental indenture and, which Noteholders (and, to the extent such information is reasonably available to the Trustee (obtained at the expense of the Issuer), which beneficial owners) have not consented to the proposed supplemental indenture.

If any outstanding Notes are rated by the Rating Agency, the Trustee and the Issuer will not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Agency Condition is not satisfied; *provided*, *however*, that the Trustee and the Issuer may, with the consent of each Noteholder of the Class of Notes whose rating will be reduced or withdrawn, after notice to such Noteholders that the proposed supplemental indenture would result in such reduction or withdrawal, enter into any such supplemental indenture notwithstanding the fact that the Rating Agency Condition has not been satisfied.

In connection with, or in executing, any supplemental indenture permitted by the Indenture, the Trustee will be entitled to receive, and will be fully protected in relying upon, an Opinion of Counsel (which may rely on an officer's certificate of the Issuer or the Collateral Manager) stating that the execution of such supplemental indenture is authorized and permitted by the Indenture and that all conditions precedent applicable thereto under the Indenture have been satisfied.

PRIVATE PLACEMENT

Pursuant to the Placement Agency Agreement, Banc of America Securities LLC will act as the exclusive Placement Agent of the Notes. The Placement Agent is a wholly-owned investment banking subsidiary of Bank of America Corporation. The Placement Agent is a broker-dealer registered with the Securities and Exchange Commission and a member of the National Association of Securities Dealers, Inc. The Notes will not be registered under the Securities Act, and the Issuer will not be registered as an investment company under the Investment Company Act.

Banc of America Securities LLC will be paid a structuring and placement fee of U.S.$2,400,000. Such fee will constitute a Transaction Expense to be paid as soon as reasonably practicable on or after the Closing Date.

On each Quarterly Payment Date, Banc of America LLC will be paid a Deferred Structuring Fee to the extent any amount is payable. See "*Description of the SERVES — Priority of Payments*."

The Notes will be offered (i) in the case of the Rule 144A Notes, to Qualified Institutional Buyers who are also Qualified Purchasers, (ii) in the case of the Restricted Definitive Class E-1 Notes, to Qualified Institutional Buyers or Accredited Investors, who, in each case, are also Qualified Purchasers, (iii) in the case of the Restricted Definitive Class E-2 Notes, to Qualified Institutional Buyers who are also Qualified Purchasers, and (iv) in the case of the Regulation S Global Notes and the Regulation S Definitive Notes, in offshore transactions to persons who are not U.S. Persons, in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with the restrictions under "*Purchase and Transfer Restrictions*" herein. The Class A-1 Revolving Notes may initially be sold either as Rule 144A Definitive Class A-1 Revolving Notes or Regulation S Definitive Notes. The Class A-2 Term Notes may initially be sold as Rule 144A Definitive Class A-2 Term Notes, Rule 144A Global Notes, Regulation S Definitive Class A-2 Term Notes or Regulation S Global Notes. The Class B Notes, the Class C Notes and the Class D Notes may initially be sold as Rule 144A Global Notes or Regulation S Global Notes. The Class E-1 Notes may initially be sold either as Restricted Definitive Class E-1 Notes or Regulation S Global Notes. The Class E-2 Notes may initially be sold either as Restricted Definitive Class E-2 Notes or Regulation S Global Notes (but may only be transferred to Regulation S Global Notes).

Unless otherwise specified in the Indenture, each initial purchaser of Notes will be required to deliver an Investment Letter in which such purchaser will make the representations described under "*Purchaser and Transfer Restrictions*."

Each Note will bear a legend stating that such Note has not been registered under the Securities Act and setting forth the restrictions on transfer and sale thereof.

Any purchaser of the Notes must be able to bear the economic risk of its investment in the Notes for an indefinite period of time. There is no obligation or undertaking by any person to register the Notes under the Securities Act at any time.

The Placement Agent reserves the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the principal amount of the Notes offered. This Private Placement Memorandum does not constitute an offer to any person other than to persons meeting the requirements for purchase of the respective Classes of Notes. See "*Purchase and Transfer Restrictions — Investor Representations*." Distribution of this Private Placement Memorandum to any person by any person other than the Placement Agent is unauthorized.

Each of the Placement Agent and the Issuer will represent and agree in the Placement Agency Agreement that it has not made and will not make any invitation to the public in the Cayman Islands to subscribe for the Notes, and that this Private Placement Memorandum will not be issued or passed to any such person.

PURCHASE AND TRANSFER RESTRICTIONS

Legend

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any Class of Notes is outstanding, the Regulation S Global Notes will bear a legend substantially as set forth below:

> IN THE CASE OF A CLASS A-2 TERM NOTE, A CLASS B NOTE, A CLASS C NOTE, OR A CLASS D NOTE, THE FOLLOWING LEGEND:
>
> THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT"). A BENEFICIAL INTEREST IN THIS NOTE MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED (A)(1) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, WHERE THE TRANSFEREE IS DEEMED TO HAVE MADE THE REPRESENTATIONS CONTAINED HEREIN AND IN THE INDENTURE, OR (2) TO A PERSON ACQUIRING AN EQUIVALENT INTEREST IN A RULE 144A GLOBAL NOTE AS SET FORTH IN THE INDENTURE, WHERE SUCH PERSON IS BOTH A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT), AND UPON DELIVERY BY THE TRANSFEREE OF AN INVESTMENT LETTER IN A FORM PRESCRIBED BY THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE AND OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. 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. IN FURTHERANCE OF THE FOREGOING, THE ISSUER SHALL HAVE THE RIGHT, IF IT DEEMS IT APPROPRIATE, TO FORCE THE SALE OF A BENEFICIAL INTEREST ACQUIRED IN A MANNER NOT IN COMPLIANCE WITH THE FOREGOING TO A PERSON WHICH IS ENTITLED TO MAINTAIN SUCH INTEREST.
>
> BY ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE, EACH HOLDER HEREOF AND EACH SUBSEQUENT TRANSFEREE IS DEEMED TO REPRESENT AND WARRANT THAT (A)(1) IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) A PLAN TO WHICH SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") APPLIES, (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S

INVESTMENT IN THE ENTITY (EACH OF (I), (II) AND (III), A "BENEFIT PLAN INVESTOR"), (IV) A GOVERNMENTAL PLAN AS DEFINED IN SECTION 3(32) OF ERISA ("GOVERNMENTAL PLAN"), (V) A CHURCH PLAN AS DEFINED IN SECTION 3(33) OF ERISA THAT HAS NOT MADE AN ELECTION UNDER SECTION 410(D) OF THE CODE ("CHURCH PLAN") OR (VI) A NON-U.S. PLAN, (2)(I)(X) IT IS A BENEFIT PLAN INVESTOR AND ITS PURCHASE AND HOLDING OF THE NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (Y) IT WILL PROVIDE AN OPINION OF COUNSEL, ACCEPTABLE TO THE TRUSTEE AND THE PLACEMENT AGENT, THAT THE ACQUISITION AND HOLDING OF THE NOTE WILL NOT BE A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE AND (II) IT HAS NOT DETERMINED THAT THE NOTE IS AN EQUITY INTEREST FOR PURPOSES OF ERISA AND THE CODE, (3)(I) IT IS AN INSURANCE COMPANY PURCHASING THE NOTE WITH THE ASSETS OF ITS GENERAL ACCOUNT, (II) LESS THAN 25% OF THE ASSETS OF SUCH GENERAL ACCOUNT ARE ASSETS OF BENEFIT PLAN INVESTORS, (III) THE CONDITIONS OF U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 95-60 ARE MET SUCH THAT PTCE 95-60 IS APPLICABLE TO THE PURCHASE AND HOLDING OF THE NOTE, AND (IV) THE PURCHASE AND HOLDING OF THE NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406(B) OF ERISA OR SECTION 4975(C)(1)(E) OR (F) OF THE CODE, OR (4)(I) IT IS A GOVERNMENTAL PLAN, A CHURCH PLAN OR A NON-U.S. PLAN AND (II) THE PURCHASE AND HOLDING OF THE NOTE IS NOT SUBJECT TO (X) ERISA, (Y) SECTION 4975 OF THE CODE OR (Z) ANY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT PROHIBITS OR IMPOSES AN EXCISE OR PENALTY TAX ON THE PURCHASE OR HOLDING OF THE NOTE UNLESS AN EXCEPTION OR EXEMPTION APPLIES; AND (B) EACH HOLDER AND SUBSEQUENT TRANSFEREE WILL PROMPTLY NOTIFY THE ISSUER, THE PLACEMENT AGENT AND THE TRUSTEE IF, AT ANY TIME, IT IS NO LONGER ABLE TO MAKE THE REPRESENTATIONS CONTAINED IN CLAUSE (A) ABOVE.

NO TRANSFER OF THE NOTE WILL BE EFFECTIVE, AND THE ISSUER, TRANSFER AGENT AND REGISTRAR, AND TRUSTEE WILL NOT RECOGNIZE ANY SUCH TRANSFER IF THE TRANSFEREE DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS.

IN THE CASE OF A CLASS E-1 NOTE, THE FOLLOWING LEGEND:

THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT"). A BENEFICIAL INTEREST IN THIS NOTE MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED (A) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (1)

WHERE THE TRANSFEREE IS DEEMED TO HAVE MADE THE REPRESENTATIONS CONTAINED HEREIN AND IN THE INDENTURE OR (2) WHERE THE TRANSFEREE IS ACQUIRING AN EQUIVALENT INTEREST IN A RESTRICTED DEFINITIVE CLASS E-1 NOTE AS SET FORTH IN THE INDENTURE, WHERE SUCH PERSON IS AN "ACCREDITED INVESTOR," AS DEFINED IN RULE 501(A) OF REGULATION D UNDER THE SECURITIES ACT, OR A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, WHO, IN EACH CASE, IS ALSO A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT, UPON DELIVERY BY THE TRANSFEREE OF AN INVESTMENT LETTER IN A FORM PRESCRIBED BY THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE AND OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. 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. IN FURTHERANCE OF THE FOREGOING, THE ISSUER SHALL HAVE THE RIGHT, IF IT DEEMS IT APPROPRIATE, TO FORCE THE SALE OF A BENEFICIAL INTEREST ACQUIRED IN A MANNER NOT IN COMPLIANCE WITH THE FOREGOING TO A PERSON WHICH IS ENTITLED TO MAINTAIN SUCH INTEREST.

IN THE CASE OF A CLASS E-2 NOTE, THE FOLLOWING LEGEND:

THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT"). A BENEFICIAL INTEREST IN THIS NOTE MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED (A) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT WHERE THE TRANSFEREE IS DEEMED TO HAVE MADE THE REPRESENTATIONS CONTAINED HEREIN AND IN THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE AND OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. 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. IN FURTHERANCE OF THE FOREGOING, THE ISSUER SHALL HAVE THE RIGHT, IF IT DEEMS IT APPROPRIATE, TO FORCE THE SALE OF A BENEFICIAL INTEREST ACQUIRED IN A MANNER NOT IN COMPLIANCE WITH THE FOREGOING TO A PERSON WHICH IS ENTITLED TO MAINTAIN SUCH INTEREST.

IN THE CASE OF A CLASS E-1 NOTE OR A CLASS E-2 NOTE, THE FOLLOWING LEGEND:

BY ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE, EACH HOLDER HEREOF AND EACH SUBSEQUENT TRANSFEREE IS DEEMED TO REPRESENT AND WARRANT THAT (A)(1) IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) A PLAN TO WHICH SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") APPLIES, (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY (EACH OF (I), (II) AND (III), A "BENEFIT PLAN INVESTOR"), (IV) A GOVERNMENTAL PLAN AS DEFINED IN SECTION 3(32) OF ERISA ("GOVERNMENTAL PLAN"), (V) A CHURCH PLAN AS DEFINED IN SECTION 3(33) OF ERISA THAT HAS NOT MADE AN ELECTION UNDER SECTION 410(D) OF THE CODE ("CHURCH PLAN") OR (VI) A NON-U.S. PLAN, (2)(I) IT IS AN INSURANCE COMPANY PURCHASING THE NOTE WITH THE ASSETS OF ITS GENERAL ACCOUNT, (II) LESS THAN 25% OF THE ASSETS OF SUCH GENERAL ACCOUNT ARE ASSETS OF BENEFIT PLAN INVESTORS, (III)(X)(1) THE CONDITIONS OF U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 95-60 ARE MET SUCH THAT PTCE 95-60 IS APPLICABLE TO THE PURCHASE AND HOLDING OF THE NOTE AND (2) THE PURCHASE AND HOLDING OF THE NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406(B) OF ERISA OR SECTION 4975(C)(1)(E) OR (F) OF THE CODE OR (Y) IT WILL PROVIDE AN OPINION OF COUNSEL, ACCEPTABLE TO THE TRUSTEE AND PLACEMENT AGENT, THAT THE PURCHASE AND HOLDING OF THIS NOTE WILL NOT BE A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (3)(I) IT IS A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN AND (II) THE PURCHASE AND HOLDING OF THE NOTE IS NOT SUBJECT TO (X) ERISA, (Y) SECTION 4975 OF THE CODE OR (Z) ANY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT PROHIBITS OR IMPOSES AN EXCISE OR PENALTY TAX ON THE PURCHASE OR HOLDING OF THE NOTE UNLESS AN EXCEPTION OR EXEMPTION APPLIES; AND (B) EACH HOLDER AND SUBSEQUENT TRANSFEREE WILL PROMPTLY NOTIFY THE ISSUER, THE PLACEMENT AGENT AND THE TRUSTEE IF, AT ANY TIME, IT IS NO LONGER ABLE TO MAKE THE REPRESENTATIONS CONTAINED IN CLAUSE (A) ABOVE.

NO TRANSFER OF THE NOTE WILL BE EFFECTIVE, AND THE ISSUER, TRANSFER AGENT AND REGISTRAR, AND TRUSTEE WILL NOT RECOGNIZE ANY SUCH TRANSFER, IF IT MAY RESULT IN ANY OF THE NOTES BEING HELD BY A BENEFIT PLAN INVESTOR OTHER THAN AN INSURANCE COMPANY GENERAL ACCOUNT THAT SATISFIES THE CONDITIONS LISTED ABOVE OR BY A GOVERNMENTAL PLAN, A CHURCH PLAN OR A NON-U.S PLAN THAT SATISFIES THE CONDITIONS LISTED ABOVE.

IN THE CASE OF A CLASS A-2 TERM NOTE, A CLASS B NOTE, A CLASS C NOTE, A CLASS D NOTE OR A CLASS E NOTE, THE FOLLOWING LEGEND:

UNLESS THIS NOTE 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 NOTE 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.

BY ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE, THE HOLDER AND ANY TRANSFEREE REPRESENTS AND WARRANTS THAT IT IS ACQUIRING SUCH NOTE (I) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S, (II) FOR ITS OWN ACCOUNT, AND (III) NOT WITH A VIEW TO THE RESALE, DISTRIBUTION OR OTHER DISPOSITION THEREOF TO A U.S. PERSON OR IN THE UNITED STATES, AND UNDERSTANDS THAT SUCH BENEFICIAL INTEREST MAY ONLY BE HELD THROUGH DTC INDIRECTLY THROUGH PARTICIPANT ACCOUNTS MAINTAINED BY EUROCLEAR OR CLEARSTREAM.

NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THIS NOTE.

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any Class of Notes is outstanding, the Rule 144A Global Notes will bear a legend substantially as set forth below:

IN THE CASE OF A CLASS A-2 TERM NOTE, A CLASS B NOTE, A CLASS C NOTE OR A CLASS D NOTE, THE FOLLOWING LEGEND:

THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT"). A BENEFICIAL INTEREST IN THIS NOTE MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, (A)(1) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) WHICH IS ALSO A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT), WHERE THE TRANSFEREE IS DEEMED TO HAVE MADE THE REPRESENTATIONS CONTAINED HEREIN AND IN THE INDENTURE, OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903

OR 904 OF REGULATION S UNDER THE SECURITIES ACT, ACQUIRING AN EQUIVALENT INTEREST IN A REGULATION S GLOBAL NOTE AS SET FORTH IN THE INDENTURE, AND UPON DELIVERY BY THE TRANSFEREE OF AN INVESTMENT LETTER IN A FORM PRESCRIBED BY THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE AND OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. 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. IN FURTHERANCE OF THE FOREGOING, THE ISSUER SHALL HAVE THE RIGHT, IF IT DEEMS IT APPROPRIATE, TO FORCE THE SALE OF A BENEFICIAL INTEREST ACQUIRED IN A MANNER NOT IN COMPLIANCE WITH THE FOREGOING TO A PERSON WHICH IS ENTITLED TO MAINTAIN SUCH INTEREST.

BY ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE, EACH HOLDER HEREOF AND EACH SUBSEQUENT TRANSFEREE IS DEEMED TO REPRESENT AND WARRANT THAT (A)(1) IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) A PLAN TO WHICH SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") APPLIES, (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY (EACH OF (I), (II) AND (III), A "BENEFIT PLAN INVESTOR"), (IV) A GOVERNMENTAL PLAN AS DEFINED IN SECTION 3(32) OF ERISA ("GOVERNMENTAL PLAN"), (V) A CHURCH PLAN AS DEFINED IN SECTION 3(33) OF ERISA THAT HAS NOT MADE AN ELECTION UNDER SECTION 410(D) OF THE CODE ("CHURCH PLAN") OR (VI) A NON-U.S. PLAN, (2)(I)(X) IT IS A BENEFIT PLAN INVESTOR AND ITS PURCHASE AND HOLDING OF THE NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (Y) IT WILL PROVIDE AN OPINION OF COUNSEL, ACCEPTABLE TO THE TRUSTEE AND THE PLACEMENT AGENT, THAT THE ACQUISITION AND HOLDING OF THE NOTE WILL NOT BE A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, AND (II) IT HAS NOT DETERMINED THAT THE NOTE IS AN EQUITY INTEREST FOR PURPOSES OF ERISA AND THE CODE, (3)(I) IT IS AN INSURANCE COMPANY PURCHASING THE NOTE WITH THE ASSETS OF ITS GENERAL ACCOUNT, (II) LESS THAN 25% OF THE ASSETS OF SUCH GENERAL ACCOUNT ARE ASSETS OF BENEFIT PLAN INVESTORS, (III) THE CONDITIONS OF U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 95-60 ARE MET SUCH THAT PTCE 95-60 IS APPLICABLE TO THE PURCHASE AND HOLDING OF THE NOTE, AND (IV) THE PURCHASE AND HOLDING OF THE NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406(B) OF ERISA OR SECTION 4975(C)(1)(E) OR (F) OF THE CODE, OR (4)(I) IT IS A GOVERNMENTAL PLAN, A CHURCH PLAN OR A NON-U.S. PLAN

AND (II) THE PURCHASE AND HOLDING OF THE NOTE IS NOT SUBJECT TO (X) ERISA, (Y) SECTION 4975 OF THE CODE OR (Z) ANY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT PROHIBITS OR IMPOSES AN EXCISE OR PENALTY TAX ON THE PURCHASE OR HOLDING OF THE NOTE UNLESS AN EXCEPTION OR EXEMPTION APPLIES; AND (B) EACH HOLDER AND SUBSEQUENT TRANSFEREE WILL PROMPTLY NOTIFY THE ISSUER, THE PLACEMENT AGENT AND THE TRUSTEE IF, AT ANY TIME, IT IS NO LONGER ABLE TO MAKE THE REPRESENTATIONS CONTAINED IN CLAUSE (A) ABOVE.

NO TRANSFER OF THE NOTE WILL BE EFFECTIVE, AND THE ISSUER, TRANSFER AGENT AND REGISTRAR, AND TRUSTEE WILL NOT RECOGNIZE ANY SUCH TRANSFER IF THE TRANSFEREE DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS.

UNLESS THIS NOTE 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 NOTE 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.

BY ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE, THE HOLDER AND ANY TRANSFEREE REPRESENTS AND WARRANTS THAT IT (I) IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, (II) IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS IN LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (III) IS PURCHASING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PURCHASER THAT MEETS THESE REQUIREMENTS, AND (IV) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THIS NOTE OR, IF IT WAS, EACH BENEFICIAL OWNER THEREOF IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, AND IS NOT A PARTNERSHIP, COMMON TRUST FUND, OR SPECIAL TRUST, PENSION FUND OR RETIREMENT PLAN, OR OTHER ENTITY IN WHICH THE PARTNERS, BENEFICIARIES, BENEFICIAL OWNERS, PARTICIPANTS OR OTHER EQUITY OWNERS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, OR THE ALLOCATION THEREOF, EXCEPT TO THE EXTENT THAT EACH SUCH PARTNER, BENEFICIARY, BENEFICIAL OWNER, PARTICIPANT OR OTHER EQUITY OWNER, AS THE CASE MAY BE, IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER. IF THE TRANSFEREE IS AN INVESTMENT COMPANY EXEMPTED FROM THE INVESTMENT COMPANY ACT PURSUANT TO SECTION 3(C)(1) OR SECTION

3(C)(7) THEREOF AND WAS FORMED ON OR BEFORE APRIL 30, 1996, IT HAS RECEIVED THE CONSENT OF THOSE OF ITS BENEFICIAL OWNERS OF ITS OUTSTANDING SECURITIES (OTHER THAN SHORT-TERM PAPER) WHO ACQUIRED THEIR INTERESTS ON OR BEFORE APRIL 30, 1996, WITH RESPECT TO ITS TREATMENT AS A QUALIFIED PURCHASER IN THE MANNER REQUIRED BY SECTION 2(A)(51)(C) OF THE INVESTMENT COMPANY ACT AND THE RULES PROMULGATED THEREUNDER.

NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THIS NOTE.

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any Class of Notes is outstanding, the Regulation S Definitive Notes will bear a legend substantially as set forth below:

IN THE CASE OF A CLASS A-1 REVOLVING NOTE, THE FOLLOWING LEGEND:

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH IN THE INDENTURE. THE AGGREGATE PRINCIPAL AMOUNT OF THIS NOTE WILL BE INCREASED AS AND WHEN THE HOLDER HEREOF ADVANCES FUNDS IN CONNECTION WITH A BORROWING AND WILL BE DECREASED AS AND WHEN ANY PRINCIPAL IS PAID IN RESPECT OF THIS NOTE, IN EACH CASE PURSUANT TO THE INDENTURE AND THE CLASS A-1 REVOLVING NOTE PURCHASE AGREEMENT REFERRED TO HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE DIFFERENT THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT"). THIS NOTE MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED (A)(1) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, WHERE THE TRANSFEREE IS DEEMED TO HAVE MADE THE REPRESENTATIONS CONTAINED HEREIN AND IN THE INDENTURE, OR (2) TO A PERSON ACQUIRING AN EQUIVALENT INTEREST IN A RULE 144A DEFINITIVE CLASS A-1 REVOLVING NOTE AS SET FORTH IN THE INDENTURE, WHERE SUCH PERSON IS BOTH A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT), AND UPON DELIVERY BY THE TRANSFEREE OF AN INVESTMENT LETTER IN A FORM PRESCRIBED BY THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE AND OF THE UNITED STATES AND ANY OTHER APPLICABLE

JURISDICTION. 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. IN FURTHERANCE OF THE FOREGOING, THE ISSUER SHALL HAVE THE RIGHT, IF IT DEEMS IT APPROPRIATE, TO FORCE THE SALE OF A NOTE ACQUIRED IN A MANNER NOT IN COMPLIANCE WITH THE FOREGOING TO A PERSON WHICH IS ENTITLED TO MAINTAIN SUCH INTEREST.

IN THE CASE OF A CLASS A-2 TERM NOTE, THE FOLLOWING LEGEND:

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH IN THE INDENTURE. THE AGGREGATE PRINCIPAL AMOUNT OF THIS NOTE WILL BE INCREASED AS AND WHEN THE HOLDER HEREOF ADVANCES FUNDS IN CONNECTION WITH A FUNDING PURSUANT TO THE INDENTURE AND THE CLASS A-2 TERM NOTE PURCHASE AGREEMENT REFERRED TO HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE DIFFERENT THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT"). THIS NOTE MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED (A)(1) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, WHERE THE TRANSFEREE IS DEEMED TO HAVE MADE THE REPRESENTATIONS CONTAINED HEREIN AND IN THE INDENTURE, OR (2) TO A PERSON ACQUIRING AN EQUIVALENT INTEREST IN (I) PRIOR TO THE FULLY FUNDED DATE, A RULE 144A DEFINITIVE CLASS A-2 TERM NOTE AS SET FORTH IN THE INDENTURE OR (II) A RULE 144A GLOBAL NOTE, WHERE SUCH PERSON IS BOTH A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT), AND, IN EACH CASE, UPON DELIVERY BY THE TRANSFEREE OF AN INVESTMENT LETTER IN A FORM PRESCRIBED BY THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE AND OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. 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. IN FURTHERANCE OF THE FOREGOING, THE ISSUER SHALL HAVE THE RIGHT, IF IT DEEMS IT

APPROPRIATE, TO FORCE THE SALE OF A NOTE ACQUIRED IN A MANNER NOT IN COMPLIANCE WITH THE FOREGOING TO A PERSON WHICH IS ENTITLED TO MAINTAIN SUCH INTEREST.

UPON THE FULLY FUNDED DATE, THE HOLDER HEREOF SHALL PROMPTLY TRANSFER THIS NOTE TO A GLOBAL NOTE IN ACCORDANCE WITH THE TERMS OF THE INDENTURE.

IN THE CASE OF A CLASS A-1 REVOLVING NOTE OR A CLASS A-2 TERM NOTE, THE FOLLOWING LEGEND:

BY ACCEPTING THIS NOTE, EACH HOLDER HEREOF AND EACH SUBSEQUENT TRANSFEREE REPRESENTS AND WARRANTS THAT (A)(1) IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) A PLAN TO WHICH SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") APPLIES, (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY (EACH OF (I), (II) AND (III), A "BENEFIT PLAN INVESTOR"), (IV) A GOVERNMENTAL PLAN AS DEFINED IN SECTION 3(32) OF ERISA ("GOVERNMENTAL PLAN"), (V) A CHURCH PLAN AS DEFINED IN SECTION 3(33) OF ERISA THAT HAS NOT MADE AN ELECTION UNDER SECTION 410(D) OF THE CODE ("CHURCH PLAN") OR (VI) A NON-U.S. PLAN, (2)(I) IT IS A BENEFIT PLAN INVESTOR AND ITS PURCHASE AND HOLDING OF THE NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (II) IT WILL PROVIDE AN OPINION OF COUNSEL, ACCEPTABLE TO THE TRUSTEE AND THE PLACEMENT AGENT, THAT THE ACQUISITION AND HOLDING OF THE NOTE WILL NOT BE A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (3)(I) IT IS A GOVERNMENTAL PLAN, A CHURCH PLAN OR A NON-U.S. PLAN AND (II) THE PURCHASE AND HOLDING OF THE NOTE IS NOT SUBJECT TO (X) ERISA, (Y) SECTION 4975 OF THE CODE OR (Z) ANY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT PROHIBITS OR IMPOSES AN EXCISE OR PENALTY TAX ON THE PURCHASE OR HOLDING OF THE NOTE UNLESS AN EXCEPTION OR EXEMPTION APPLIES; AND (B) EACH HOLDER AND SUBSEQUENT TRANSFEREE WILL PROMPTLY NOTIFY THE ISSUER, THE PLACEMENT AGENT AND THE TRUSTEE IF, AT ANY TIME, IT IS NO LONGER ABLE TO MAKE THE REPRESENTATIONS CONTAINED IN CLAUSE (A) ABOVE.

NO TRANSFER OF THE NOTE WILL BE EFFECTIVE, AND THE ISSUER, TRANSFER AGENT AND REGISTRAR, AND TRUSTEE WILL NOT RECOGNIZE ANY SUCH TRANSFER IF THE TRANSFEREE DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS.

BY ACCEPTING THIS NOTE, THE HOLDER AND ANY TRANSFEREE REPRESENTS AND WARRANTS THAT IT IS ACQUIRING SUCH NOTE (I) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S, (II) FOR ITS OWN ACCOUNT AND (III) NOT WITH A VIEW TO THE RESALE, DISTRIBUTION OR OTHER DISPOSITION THEREOF TO A U.S. PERSON OR IN THE UNITED STATES.

NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THIS NOTE.

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any Class of Notes is outstanding, the Restricted Definitive Class E-1 Notes and the Restricted Definitive Class E-2 Notes will bear a legend substantially as set forth below:

IN THE CASE OF A RESTRICTED DEFINITIVE CLASS E-1 NOTE, THE FOLLOWING LEGEND

THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT"). THIS NOTE MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, (A)(1) TO AN "ACCREDITED INVESTOR," AS DEFINED IN RULE 501(A) OF REGULATION D UNDER THE SECURITIES ACT, OR A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, WHO, IN EACH CASE, IS ALSO A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT, AND UPON DELIVERY OF AN INVESTMENT LETTER IN A FORM PRESCRIBED BY THE INDENTURE OR (2) TO A PERSON IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, ACQUIRING AN EQUIVALENT INTEREST IN A REGULATION S GLOBAL NOTE AS SET FORTH IN THE INDENTURE, AND UPON DELIVERY OF AN INVESTMENT LETTER IN A FORM PRESCRIBED BY THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE AND OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. 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. IN FURTHERANCE OF THE FOREGOING, THE ISSUER SHALL HAVE THE RIGHT, IF IT DEEMS IT APPROPRIATE, TO FORCE THE SALE OF A NOTE ACQUIRED IN A MANNER NOT IN COMPLIANCE WITH THE FOREGOING TO A PERSON WHICH IS ENTITLED TO MAINTAIN SUCH INTEREST.

IN THE CASE OF A RESTRICTED DEFINITIVE CLASS E-2 NOTE, THE FOLLOWING LEGEND

THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT"). THIS NOTE MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, (A) TO A PERSON IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, ACQUIRING AN EQUIVALENT INTEREST IN A REGULATION S GLOBAL NOTE AS SET FORTH IN THE INDENTURE, AND UPON DELIVERY OF AN INVESTMENT LETTER IN A FORM PRESCRIBED BY THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE AND OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. 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. IN FURTHERANCE OF THE FOREGOING, THE ISSUER SHALL HAVE THE RIGHT, IF IT DEEMS IT APPROPRIATE, TO FORCE THE SALE OF A NOTE ACQUIRED IN A MANNER NOT IN COMPLIANCE WITH THE FOREGOING TO A PERSON WHICH IS ENTITLED TO MAINTAIN SUCH INTEREST.

IN THE CASE OF A RESTRICTED DEFINITIVE CLASS E-1 NOTE OR A RESTRICTED DEFINITIVE CLASS E-2 NOTE, THE FOLLOWING LEGEND

BY ACCEPTING THIS NOTE, EACH HOLDER HEREOF AND EACH SUBSEQUENT TRANSFEREE REPRESENTS AND WARRANTS THAT (A)(1) IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) A PLAN TO WHICH SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") APPLIES, (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY (EACH OF (I), (II) AND (III), A "BENEFIT PLAN INVESTOR"), (IV) A GOVERNMENTAL PLAN AS DEFINED IN SECTION 3(32) OF ERISA ("GOVERNMENTAL PLAN"), (V) A CHURCH PLAN AS DEFINED IN SECTION 3(33) OF ERISA THAT HAS NOT MADE AN ELECTION UNDER SECTION 410(D) OF THE CODE ("CHURCH PLAN") OR (VI) A NON-U.S. PLAN, (2)(I) IT IS AN INSURANCE COMPANY PURCHASING THE NOTE WITH THE ASSETS OF ITS GENERAL ACCOUNT, (II) LESS THAN 25% OF THE ASSETS OF SUCH GENERAL ACCOUNT ARE ASSETS OF BENEFIT PLAN INVESTORS, (III)(X)(1) THE CONDITIONS OF U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 95-60 ARE MET SUCH THAT PTCE 95-60 IS APPLICABLE TO THE PURCHASE AND HOLDING OF THE NOTE AND (2) THE PURCHASE AND HOLDING OF THE NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406(B) OF ERISA OR SECTION 4975(C)(1)(E) OR (F) OF THE CODE OR (Y) IT WILL PROVIDE AN OPINION OF COUNSEL,

ACCEPTABLE TO THE TRUSTEE AND PLACEMENT AGENT, THAT THE PURCHASE AND HOLDING OF THIS NOTE WILL NOT BE A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (3)(I) IT IS A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN AND (II) THE PURCHASE AND HOLDING OF THE NOTE IS NOT SUBJECT TO (X) ERISA, (Y) SECTION 4975 OF THE CODE OR (Z) ANY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT PROHIBITS OR IMPOSES AN EXCISE OR PENALTY TAX ON THE PURCHASE OR HOLDING OF THE NOTE UNLESS AN EXCEPTION OR EXEMPTION APPLIES; AND (B) EACH HOLDER AND SUBSEQUENT TRANSFEREE WILL PROMPTLY NOTIFY THE ISSUER, THE PLACEMENT AGENT AND THE TRUSTEE IF, AT ANY TIME, IT IS NO LONGER ABLE TO MAKE THE REPRESENTATIONS CONTAINED IN CLAUSE (A) ABOVE.

NO TRANSFER OF THE NOTE WILL BE EFFECTIVE, AND THE ISSUER, TRANSFER AGENT AND REGISTRAR, AND TRUSTEE WILL NOT RECOGNIZE ANY SUCH TRANSFER, IF IT MAY RESULT IN ANY OF THE NOTES BEING HELD BY A BENEFIT PLAN INVESTOR OTHER THAN AN INSURANCE COMPANY GENERAL ACCOUNT THAT SATISFIES THE CONDITIONS LISTED ABOVE OR BY A GOVERNMENTAL PLAN, A CHURCH PLAN OR A NON-U.S PLAN THAT SATISFIES THE CONDITIONS LISTED ABOVE.

NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THIS NOTE.

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any Class of Notes is outstanding, the Rule 144A Definitive Notes will bear a legend substantially as set forth below:

IN THE CASE OF A CLASS A-1 REVOLVING NOTE, THE FOLLOWING LEGEND:

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH IN THE INDENTURE. THE AGGREGATE PRINCIPAL AMOUNT OF THIS NOTE WILL BE INCREASED AS AND WHEN THE HOLDER HEREOF ADVANCES FUNDS IN CONNECTION WITH A BORROWING AND WILL BE DECREASED AS AND WHEN ANY PRINCIPAL IS PAID IN RESPECT OF THIS NOTE, IN EACH CASE PURSUANT TO THE INDENTURE AND THE CLASS A-1 REVOLVING NOTE PURCHASE AGREEMENT REFERRED TO HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE DIFFERENT THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT

COMPANY ACT"). THIS NOTE MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, (A)(1) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) WHICH IS ALSO A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT), WHERE THE TRANSFEREE IS DEEMED TO HAVE MADE THE REPRESENTATIONS CONTAINED HEREIN AND IN THE INDENTURE, OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, ACQUIRING AN EQUIVALENT INTEREST IN A REGULATION S DEFINITIVE NOTE AS SET FORTH IN THE INDENTURE, UPON DELIVERY BY THE TRANSFEREE OF AN INVESTMENT LETTER IN A FORM PRESCRIBED BY THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE AND OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. 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. IN FURTHERANCE OF THE FOREGOING, THE ISSUER SHALL HAVE THE RIGHT, IF IT DEEMS IT APPROPRIATE, TO FORCE THE SALE OF A NOTE ACQUIRED IN A MANNER NOT IN COMPLIANCE WITH THE FOREGOING TO A PERSON WHICH IS ENTITLED TO MAINTAIN SUCH INTEREST.

IN THE CASE OF A CLASS A-2 TERM NOTE, THE FOLLOWING LEGEND:

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH IN THE INDENTURE. THE AGGREGATE PRINCIPAL AMOUNT OF THIS NOTE WILL BE INCREASED AS AND WHEN THE HOLDER HEREOF ADVANCES FUNDS IN CONNECTION WITH A FUNDING PURSUANT TO THE INDENTURE AND THE CLASS A-2 TERM NOTE PURCHASE AGREEMENT REFERRED TO HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE DIFFERENT THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT"). THIS NOTE MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, (A)(1) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) WHICH IS ALSO A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT), WHERE THE TRANSFEREE IS DEEMED TO HAVE MADE THE REPRESENTATIONS CONTAINED HEREIN AND IN THE INDENTURE, OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE

SECURITIES ACT, ACQUIRING AN EQUIVALENT INTEREST IN (I) PRIOR TO THE FULLY FUNDED DATE, A REGULATION S DEFINITIVE CLASS A-2 TERM NOTE AS SET FORTH IN THE INDENTURE OR (II) A REGULATION S GLOBAL NOTE, IN EACH CASE, UPON DELIVERY BY THE TRANSFEREE OF AN INVESTMENT LETTER IN A FORM PRESCRIBED BY THE INDENTURE, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE AND OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. 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. IN FURTHERANCE OF THE FOREGOING, THE ISSUER SHALL HAVE THE RIGHT, IF IT DEEMS IT APPROPRIATE, TO FORCE THE SALE OF A NOTE ACQUIRED IN A MANNER NOT IN COMPLIANCE WITH THE FOREGOING TO A PERSON WHICH IS ENTITLED TO MAINTAIN SUCH INTEREST.

UPON THE FULLY FUNDED DATE, THE HOLDER HEREOF SHALL PROMPTLY TRANSFER THIS NOTE TO A GLOBAL NOTE IN ACCORDANCE WITH THE TERMS OF THE INDENTURE.

IN THE CASE OF A CLASS A-1 REVOLVING NOTE OR A CLASS A-2 TERM NOTE, THE FOLLOWING LEGEND:

BY ACCEPTING THIS NOTE, EACH HOLDER HEREOF AND EACH SUBSEQUENT TRANSFEREE REPRESENTS AND WARRANTS THAT (A)(1) IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) A PLAN TO WHICH SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") APPLIES, (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY (EACH OF (I), (II) AND (III), A "BENEFIT PLAN INVESTOR"), (IV) A GOVERNMENTAL PLAN AS DEFINED IN SECTION 3(32) OF ERISA ("GOVERNMENTAL PLAN"), (V) A CHURCH PLAN AS DEFINED IN SECTION 3(33) OF ERISA THAT HAS NOT MADE AN ELECTION UNDER SECTION 410(D) OF THE CODE ("CHURCH PLAN") OR (VI) A NON-U.S. PLAN, (2)(I) IT IS A BENEFIT PLAN INVESTOR AND ITS PURCHASE AND HOLDING OF THE NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (II) IT WILL PROVIDE AN OPINION OF COUNSEL, ACCEPTABLE TO THE TRUSTEE AND THE PLACEMENT AGENT, THAT THE ACQUISITION AND HOLDING OF THE NOTE WILL NOT BE A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (3)(I) IT IS A GOVERNMENTAL PLAN, A CHURCH PLAN OR A NON-U.S. PLAN AND (II) THE PURCHASE AND HOLDING OF THE NOTE IS NOT SUBJECT TO (X) ERISA, (Y) SECTION 4975 OF THE CODE OR (Z) ANY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT

PROHIBITS OR IMPOSES AN EXCISE OR PENALTY TAX ON THE PURCHASE OR HOLDING OF THE NOTE UNLESS AN EXCEPTION OR EXEMPTION APPLIES; AND (B) EACH HOLDER AND SUBSEQUENT TRANSFEREE WILL PROMPTLY NOTIFY THE ISSUER, THE PLACEMENT AGENT AND THE TRUSTEE IF, AT ANY TIME, IT IS NO LONGER ABLE TO MAKE THE REPRESENTATIONS CONTAINED IN CLAUSE (A) ABOVE.

NO TRANSFER OF THE NOTE WILL BE EFFECTIVE, AND THE ISSUER, TRANSFER AGENT AND REGISTRAR, AND TRUSTEE WILL NOT RECOGNIZE ANY SUCH TRANSFER IF THE TRANSFEREE DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS.

BY ACCEPTING THIS NOTE, THE HOLDER AND ANY TRANSFEREE REPRESENTS AND WARRANTS THAT IT (I) IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, (II) IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS IN LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (III) IS PURCHASING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PURCHASER THAT MEETS THESE REQUIREMENTS, AND (IV) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THIS NOTE OR, IF IT WAS, EACH BENEFICIAL OWNER THEREOF IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, AND IS NOT A PARTNERSHIP, COMMON TRUST FUND, OR SPECIAL TRUST, PENSION FUND OR RETIREMENT PLAN, OR OTHER ENTITY IN WHICH THE PARTNERS, BENEFICIARIES, BENEFICIAL OWNERS, PARTICIPANTS OR OTHER EQUITY OWNERS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, OR THE ALLOCATION THEREOF, EXCEPT TO THE EXTENT THAT EACH SUCH PARTNER, BENEFICIARY, BENEFICIAL OWNER, PARTICIPANT OR OTHER EQUITY OWNER, AS THE CASE MAY BE, IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER. IF THE TRANSFEREE IS AN INVESTMENT COMPANY EXEMPTED FROM THE INVESTMENT COMPANY ACT PURSUANT TO SECTION 3(C)(1) OR SECTION 3(C)(7) THEREOF AND WAS FORMED ON OR BEFORE APRIL 30, 1996, IT HAS RECEIVED THE CONSENT OF THOSE OF ITS BENEFICIAL OWNERS OF ITS OUTSTANDING SECURITIES (OTHER THAN SHORT-TERM PAPER) WHO ACQUIRED THEIR INTERESTS ON OR BEFORE APRIL 30, 1996, WITH RESPECT TO ITS TREATMENT AS A QUALIFIED PURCHASER IN THE MANNER REQUIRED BY SECTION 2(A)(51)(C) OF THE INVESTMENT COMPANY ACT AND THE RULES PROMULGATED THEREUNDER.

NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THIS NOTE.

Investor Representations

On the Closing Date, unless otherwise specified in the Indenture, each initial purchaser of the Notes will execute and deliver an Investment Letter in which it will acknowledge, represent to and agree with the Issuer and the Placement Agent as follows:

(i) *No Governmental Approval*. The transferee understands that the Notes have not been approved or disapproved by the SEC or any other governmental authority or agency of any jurisdiction, nor has the SEC or any other governmental authority or agency passed upon the accuracy or adequacy of this Private Placement Memorandum. Any representation to the contrary is a criminal offense.

(ii) *Certification Upon Transfer*. The transferee will, prior to any subsequent sale, pledge or other transfer by it of any Note (or any interest therein), cause its transferee to execute and deliver to the Issuer and the Trustee, when required under the Indenture, a duly executed investment letter addressed to each of the Issuer and the Trustee and such other certificates and other information as the Issuer and the Trustee may reasonably require to confirm that the proposed transfer substantially complies with the transfer restrictions contained in the final Private Placement Memorandum and the Indenture.

(iii) *Minimum Denominations*. The transferee agrees that no Note (or any interest therein) may be sold, pledged or otherwise transferred except in a minimum denomination of (i) for the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, U.S.$500,000, and in integral multiples of U.S.$1,000 in excess thereof, and (ii) for the Class E Notes, U.S.$100,000 and in integral multiples of U.S.$1,000 in excess thereof.

(iv) *Securities Law Limitations on Resale*. The transferee understands that the Notes have not been and will not be registered under the Securities Act and, therefore, cannot be offered, sold or otherwise transferred unless the Notes are registered under the Securities Act or unless an exemption from registration is available. Accordingly, the Notes will bear a legend stating that the Notes have not been registered under the Securities Act and setting forth certain of the restrictions on transfer of the Notes described herein. The transferee understands that the Issuer has no obligation to register the Notes under the Securities Act or to comply with the requirements for any exemption from the registration requirements of the Securities Act (other than to supply information specified in Rule 144A(d)(4) of the Securities Act or as required by the Indenture).

(v) *Status of Rule 144A Investor*. In the case of a transferee who purchases beneficial interests in the Rule 144A Notes, such transferee (a) is both a Qualified Institutional Buyer as defined in Rule 144A under the Securities Act and a Qualified Purchaser as defined in Section 2(a)(51) of the Investment Company Act, (b) is not a broker-dealer which owns and invests on a discretionary basis in less than U.S.$25,000,000 in securities of unaffiliated issuers, (c) is purchasing such Notes for its own account or for the account of another transferee that meets these requirements, (d) was not formed for the purpose of investing in such Notes or, if it was, each beneficial owner thereof is both a Qualified Institutional Buyer and a Qualified Purchaser, and (e) is not a partnership, common trust fund, or special trust, pension fund or retirement plan, or other entity in which the partners, beneficiaries, beneficial owners, participants or other equity

owners, as the case may be, may designate the particular investments to be made, or the allocation thereof, except to the extent that each such partner, beneficiary, beneficial owner, participant or other equity owner, as the case may be, is both a Qualified Institutional Buyer and a Qualified Purchaser. If the transferee is an investment company exempted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof and was formed on or before April 30, 1996, it has received the consent of those of its beneficial owners of its outstanding securities (other than short-term paper) who acquired their interests on or before April 30, 1996, with respect to its treatment as a Qualified Purchaser in the manner required by Section 2(a)(51)(C) of the Investment Company Act and the rules promulgated thereunder.

(vi) *Status of Regulation S Investor*. In the case of a transferee who purchases beneficial interests in the Regulation S Notes, (a) it is not a U.S. Person (as defined in Regulation S), and (b) it is purchasing such Notes in an offshore transaction in compliance with Rule 903 or Rule 904 of Regulation S for its own account and not for the account or benefit of a U.S. Person.

(vii) *Status of a Restricted Definitive Class E-1 Note Investor*. In the case of a purchaser who purchases Restricted Definitive Class E-1 Notes, the purchaser is an "accredited investor," as defined in Rule 501(a) of Regulation D under the Securities Act, or a Qualified Institutional Buyer, as defined in Rule 144A under the Securities Act who, in each case, is also a Qualified Purchaser for purposes of Section 3(c)(7) of the Investment Company Act.

(viii) *Transferee Sophistication; Non-Reliance; Suitability; Access to Information*. The transferee (a) has such knowledge and experience in financial and business matters that the transferee is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in the Notes, (b) is financially able to bear such risk, (c) in making such investment is not relying on the advice or recommendations of the Placement Agent or any of its Affiliates or representatives and (d) has determined that an investment in the Notes is suitable and appropriate for it. The transferee has received, and has had an adequate opportunity to review the contents of, the final Private Placement Memorandum and has based its investment decision solely on the information set forth therein. The transferee has had access to such financial and other information concerning the Issuer or the Notes as it has deemed necessary to make its own independent decision to purchase the Notes, including the opportunity, at a reasonable time prior to its purchase of the Notes, to ask questions and receive answers concerning the Issuer and the terms and conditions of the offering of the Notes.

(ix) *Limited Liquidity*. The transferee understands that there is no market for the Notes and that no assurance can be given as to the liquidity of any trading market for the Notes and that it is unlikely that a trading market for any of the Notes will develop. The transferee further understands that, although the Placement Agent may from time to time make a market in the Notes, the Placement Agent will be under no obligation to do so and, following the commencement of any such market-making, may discontinue the same at any time. Accordingly, the transferee must be prepared to hold the Notes for an indefinite period of time.

(x) *ERISA*. No Class A Note, Class B Note, Class C Note or Class D Note may be acquired or transferred unless:

(a)(1) such transferee is not and will not be a Benefit Plan Investor or a Governmental Plan, a Church Plan or a non-U.S. plan, (2)(A)(I)(x) such transferee is a Benefit Plan Investor acquiring such Class A Note, Class B Note, Class C Note or Class D Note in reliance on the availability of a prohibited transaction exemption contained in ERISA or the Code, such as Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code pertaining to certain transactions with non-fiduciary service providers, or granted by the DOL, under circumstances such that the exemption is applicable to the purchase and holding of such Class A Note, Class B Note, Class C Note or Class D Note and (y) the purchase and holding of such Class A Note, Class B Note, Class C Note or Class D Note will not result in a non-exempt prohibited transaction under Section 406(b) of ERISA or Section 4975(C)(1)(E) or (F) of the Code, or (II) such transferee will provide an opinion of counsel, acceptable to the Trustee and the Placement Agent, that the acquisition and holding of the Class A Note, the Class B Note, the Class C Note or the Class D Note will not be a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code and (B) such Benefit Plan Investor has not determined that the Class A Note, Class B Note, Class C Note, or Class D Note is an equity interest for purposes of ERISA and the Code, (3)(A) such transferee is an insurance company purchasing the Class A Note, the Class B Note, the Class C Note or the Class D Note with the assets of its general account, (B) less than 25% of the assets of such general account are assets of Benefit Plan Investors, (C) the conditions of PTCE 95-60 are met such that PTCE 95-60 is applicable to the purchase and holding of the Class A Note, Class B Note, Class C Note or Class D Note, and (D) the purchase and holding of the Class A Note, the Class B Note, the Class C Note or the Class D Note will not result in a non-exempt prohibited transaction under Section 406(b) of ERISA or Section 4975(c)(1)(E) or (E) of the Code, or (4)(A) such transferee is a Governmental Plan, a Church Plan or a non-U.S. and (B) the purchase and holding of the Class A Note, the Class B Note, the Class C Note or the Class D Note is not subject to (I) ERISA, (II) Section 4975 of the Code, or (III) any Similar Law that prohibits or imposes an excise or penalty tax or holding on the purchase of such Class A Note, Class B Note, Class C Note or the Class D Note unless an exception or exemption applies; and

(b) such transferee will promptly notify the Issuer, the Placement Agent and the Trustee if, at any time, it is no longer able to make the representations contained in clause (a) above.

The transferee acknowledges that any purported transfer of a Class A Note, a Class B Note, a Class C Note or the Class D Note to a transferee that does not comply with the foregoing requirements shall be null and void *ab initio*.

No Class E Note may be acquired or transferred unless:

(a)(1) such transferee is not a Benefit Plan Investor or a Governmental Plan, Church Plan or non-U.S. plan, (2)(A) such transferee is an insurance company purchasing the Class E Note with the assets of its general account, (B) less than 25% of the assets of such general account are assets of Benefit Plan Investors, (C)(I)(x) the conditions of DOL PTCE 95-60 are met such that PTCE 95-60 is applicable to the purchase and holding of the Class E Note and (y) the purchase and holding of the Class E Note will not result in a nonexempt prohibited transaction under Section 406(b) of ERISA or Section 4975(C)(1)(E) or (F) of the Code or (II) such transferee will provide an opinion of counsel acceptable to the Trustee and the Placement Agent, that the purchase and holding of the Class E Note will not be a prohibited transaction under Section 406

of ERISA or Section 4975 of the Code, or (3)(A) such transferee is a Governmental Plan, a Church Plan, or non-U.S. plan and (B) the purchase and holding of the Class E Note is not subject to (I) ERISA, (II) Section 4975 of the Code, or (III) any Similar Law that prohibits or imposes an excise or penalty tax on the purchase or holding of such Class E Note unless an exception or exemption applies; and

(b) such transferee will promptly notify the Issuer, the Placement Agent and the Trustee if, at any time, it is no longer able to make the representations contained in clause (a) above.

The transferee acknowledges that any purported transfer of the Class E Note to a transferee that does not comply with the foregoing requirements shall be null and void *ab initio*.

(xi) *Reliance on Representations, etc*. The transferee acknowledges that the Issuer, the Trustee, the Placement Agent, the Collateral Manager and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements made or deemed to have been made by it in connection with its purchase of the Notes are no longer accurate, the transferee will promptly notify the Issuer, the Placement Agent, the Trustee and the Collateral Manager. Further, the transferee agrees that (a) such initial purchase of the Note (or any interest therein) will be void and of no force or effect, (b) neither the Issuer nor the Trustee has any obligation to recognize the initial purchase of such Note (or any interest therein), and (c) the Issuer will be entitled under the Indenture to force the sale of such Notes.

(xii) *Certain Transfers Void*. The transferee agrees that (a) any sale, pledge or other transfer of a Note (or any interest therein) made in violation of the transfer restrictions contained in the Indenture or the Issuer's formation documents and described herein, or made based upon any false or inaccurate representation made by the transferee or a transferee to the Issuer, will be void and of no force or effect and (b) neither the Issuer nor the Trustee has any obligation to recognize any sale, pledge or other transfer of a Note (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation, and the Issuer will be entitled under the Indenture to force the sale of such Notes acquired in contravention of the provisions of the Indenture to a person meeting such provisions set forth in the Indenture at the then current market price therefor.

(xiii) *Cayman Islands*. The transferee is not a member of the public in the Cayman Islands.

(xiv) *Certain Resale Limitations*. By its acceptance of a Note, each holder of a beneficial interest therein will be deemed to have represented and agreed that transfer thereof is restricted and agrees that it shall transfer such Note or beneficial interest therein only in accordance with the terms of the Indenture and such Note and in compliance with applicable law.

(xv) *Global Notes*. In the case of a transferee who purchases beneficial interests in the Rule 144A Global Notes or the Regulation S Global Notes, except as otherwise provided in the Indenture, such transferee is aware that the Notes being sold to it will be represented by one or more Global Notes, and that beneficial interests therein may be sold only through DTC (including Participants maintaining positions on behalf of Euroclear or Clearstream). It

understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories.

(xvi) *Conflicts of Interest*. The transferee acknowledges that it has read "*Risk Factors—Other Considerations—Certain Conflicts of Interest Regarding the Collateral Manager*" in the Private Placement Memorandum, describing the possible conflict of interest that may exist between the activities of the Collateral Manager under the Collateral Management Agreement, any potential ownership of the Notes by the Collateral Manager or its Affiliates and the other business activities of the Collateral Manager and its Affiliates.

(xvii) *Affiliate Transactions*. The transferee acknowledges that in connection with its management of the CDO Portfolio the Collateral Manager may, subject to the CDO Portfolio Criteria, the Purchase Criteria and any other requirement of any law, rule or regulation applicable to the Collateral Manager, including, without limitation, Section 206(3) of the Advisers Act, select CDO Assets to be purchased from or sold to sources that may include itself, its Affiliates or the account of any other Person, including any account for which the Collateral Manager or its Affiliate acts as adviser or investment manager.

(xviii) *Invalid Transfers*. The transferee agrees that if it is in breach of any representation or agreement set forth in the Investment Letter or any deemed representation or agreement of the transferee, the issuance of Notes to it shall be absolutely null and void ab initio and shall vest no rights in the transferee, regardless of whether or not the Note registrar has registered such issuance or purported issuance. In furtherance of the foregoing, if the acquisition by the transferee of the Notes or a related beneficial interest therein is in violation of the provisions of the Indenture, the transferee agrees, upon demand by the Issuer or the Trustee, to sell such Notes or related beneficial interest therein to a person that satisfies the requirements of the Indenture at the then-current market price therefor, and, if the transferee does not comply with such demand within 30 days thereof, the transferee agrees that the Trustee shall have the authority to sell such Notes or related beneficial interest therein to a permitted transferee under the Indenture on such terms as the Trustee may choose and such sale by the Trustee shall be binding on all parties, including the transferee.

(xix) *Status of a Restricted Definitive Class E-2 Note Investor*. In the case of a purchaser who purchases Restricted Definitive Class E-2 Notes, the purchaser is a Qualified Institutional Buyer, as defined in Rule 144A under the Securities Act who is also a Qualified Purchaser for purposes of Section 3(c)(7) of the Investment Company Act.

Rule 144A Restrictions on Transfer

No holder of any Rule 144A Note or beneficial owner of an interest therein may, in any transaction or series of transactions, directly or indirectly (each of the following, a "**transfer**"), (i) sell, assign or otherwise in any manner dispose of all or any part of its interest in any such Note issued to it, whether by act, deed, merger or otherwise, or (ii) mortgage, pledge or create a lien or security interest in such Note or beneficial interest therein unless such transfer satisfies the conditions set forth below.

Any transfer of Rule 144A Notes or beneficial interests therein may only be effected in accordance with the following provisions and each purchaser and transferee shall be deemed to have represented and agreed to the following provisions:

No transfer of any such Rule 144A Note or beneficial interests therein may be made except in compliance with all of the requirements set forth in paragraphs (i) through (v) and (viii) through (xviii) above and all such acknowledgments, representations and agreements shall be deemed to have been made by the transferee or, in the case of any transfer pursuant to (i) in the case of Rule 144A Definitive Class A-1 Revolving Notes or a Rule 144A Definitive Class A-2 Term Notes or (ii) below, shall be made by the transferee pursuant to an Investment Letter.

No transfer of any such Rule 144A Note or beneficial interests therein may be made except:

(i) to a Qualified Institutional Buyer purchasing for its own account in a transaction meeting the requirements of Rule 144A which is also a Qualified Purchaser where the transferee, in the case of a Rule 144A Definitive Class A-1 Revolving Note or a Rule 144A Definitive Class A-2 Term Note, delivers to the Issuer and the Trustee an Investment Letter substantially in the form set forth in the Indenture, or

(ii) to a person which is not a U.S. Person, in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, acquiring an equivalent interest in a Regulation S Note of the same Class, where the transferee of such Note delivers to the Issuer and the Trustee an Investment Letter substantially in the form set forth in the Indenture.

No transfer of any such Rule 144A Note may be made if such transfer would have the effect of requiring the Issuer to register as an investment company under the Investment Company Act.

Restricted Definitive Class E-1 Note and Restricted Definitive Class E-2 Note Restrictions on Transfer

No holder of any Restricted Definitive Class E-1 Note or Restricted Definitive Class E-2 Note or beneficial owner of an interest therein may, in any transaction or series of transactions, directly or indirectly (each of the following, a "**transfer**"), (i) sell, assign or otherwise in any manner dispose of all or any part of its interest in any such Note issued to it, whether by act, deed, merger or otherwise, or (ii) mortgage, pledge or create a lien or security interest in such Note or beneficial interest therein unless such transfer satisfies the conditions set forth below.

Any transfer of a Restricted Definitive Class E-1 Note or a Restricted Definitive Class E-2 Notes or beneficial interests therein may only be effected in accordance with the following provisions and each purchaser and transferee shall be deemed to have represented and agreed to the following provisions:

No transfer of any such Restricted Definitive Class E-1 Note may be made except in compliance with all of the requirements set forth in paragraphs (i) through (iv), (vii) through (xiv) and (xvi) through (xviii) above, and all such acknowledgments, representations and agreements shall be made by the transferee pursuant to the Investment Letter.

No transfer of any such Restricted Definitive Class E-2 Note may be made except in compliance with all of the requirements set forth in paragraphs (i) through (iv), (viii) through (xiv) and (xvi) through (xviii) above, and all such acknowledgments, representations and agreements shall be made by the transferee pursuant to the Investment Letter. In addition, any such transferee shall be required to (i) (a) represent that such transferee is not nor will any of its affiliates be treated as a United States Shareholder as defined in Section 951(b) of the Code, and (b) covenant that (i) such transferee shall not, at any time that it is a holder of the Class E-2 Notes, permit or cause the legal status of such transferee or any of its affiliates to change, by reorganization, recapitalization, acquisition, or otherwise, in a manner that will cause such transferee or any of its affiliates to be treated as a "United States Shareholder" as defined in Section 951(b) of the Code, assuming for purposes of this representation that the Class E-2 Notes owned by the transferee carry 10% of the combined voting power of all interests in the Issuer for purposes of that section and (ii) such transferee will not transfer any interest in the Class E-2 Notes unless it reasonably believes that its transferee can make the representations and warranties described in this Private Placement Memorandum, including without limitation those set forth in this paragraph. Any transferee acknowledges that any purported transfer of the Class E-2 Notes to a subsequent transferee that does not comply with the foregoing requirements shall be null and void ab initio.

No transfer of any such Restricted Definitive Class E-1 Note or Restricted Definitive Class E-2 Note may be made except:

(i) in the case of the Class E-1 Notes only, to an Accredited Investor or a Qualified Institutional Buyer purchasing for its own account who, in each case, is also a Qualified Purchaser, acquiring an equivalent interest in a Restricted Definitive Class E-1 Note of the same Class, where the transferee of such Note delivers to the Issuer and the Trustee an Investment Letter substantially in the form set forth in the Indenture, or

(ii) to a person which is not a U.S. Person, in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S acquiring an equivalent interest in a Regulation S Note of the same Class, where such transferee delivers to the Issuer and the Trustee an Investment Letter substantially in the form set forth in the Indenture.

No transfer of any such Restricted Definitive Class E-1 Note or Restricted Definitive Class E-2 Note may be made if such transfer would have the effect of requiring the Issuer to register as an investment company under the Investment Company Act.

Regulation S Restrictions on Transfer

Any transfer of Regulation S Notes may only be effected in accordance with the following provisions and each purchaser and transferee shall be deemed to have represented and agreed to the following provisions:

No transfer of any such Regulation S Note may be made except in compliance with all of the requirements set forth in paragraphs (i) through (iv), (vi), and (viii) through (xviii) above and all such acknowledgments, representations and agreements shall be deemed to have been made

by the transferee or, in the case of any transfer pursuant to (ii) or (iii) below, shall be made by the transferee pursuant to an Investment Letter.

No transfer of any such Regulation S Note may be made except:

(i) to a person which is not a U.S. Person, in an offshore transaction in compliance with Rule 903 or Rule 904 of Regulation S,

(ii) for Notes other than the Class E Notes, to a person acquiring an equivalent interest in a Rule 144A Global Note (or with respect to the Class A-2 Term Notes, prior to the Fully Funded Date, a Rule 144A Definitive Class A-2 Term Note) of the same Class, where such person is a Qualified Institutional Buyer who is also a Qualified Purchaser, where the transferee of such Note delivers to the Issuer and the Trustee an Investment Letter substantially in the form set forth in the Indenture, or

(iii) for the Class E-1 Notes, to a person acquiring an equivalent interest in a Restricted Definitive Class E-1 Note of the same Class, where such person is a Qualified Institutional Buyer or an Accredited Investor, who, in each case, is also a Qualified Purchaser, where the transferee of such Note delivers to the Issuer and the Trustee an Investment Letter substantially in the form set forth in the Indenture,

No transfer of any such Regulation S Note may be made if such transfer would have the effect of requiring the Issuer to register as an investment company under the Investment Company Act.

With respect to the Global Notes, notices to the Noteholders will be given through DTC to each Noteholder to which notice is required to be given under the Indenture. With respect to the Class A-1 Revolving Notes, the Class A-2 Term Notes, the Class E-1 Notes and the Class E-2 Notes in definitive form notices to the Noteholders will be given directly to each Noteholder to which notice is required to be given under the Indenture.

Reliance on Section 3(c)(7) of the Investment Company Act

The Issuer has not registered with the SEC as an investment company pursuant to the Investment Company Act in reliance on Section 3(c)(7) thereof. To rely on Section 3(c)(7), the Issuer must have a "reasonable belief" that all purchasers of the Notes are Qualified Purchasers. The Issuer will establish such a reasonable belief by means of the representations, warranties and agreements made, or deemed made, by the purchasers of Notes under "*Purchase and Transfer Restrictions*" above, the agreements of the Placement Agent made in the Placement Agency Agreement and the Issuer covenants and undertakings referred to below (collectively, the "**Section 3(c)(7) Procedures**").

Issuer Covenants and Undertakings

Reminder Notices. Whenever the Issuer sends a quarterly report to the holders of the Notes, the Issuer will send (or cause to be sent) a "**Section 3(c)(7) Reminder Notice**" to the holders of the Notes in substantially the form of an exhibit to the Indenture. Each Section 3(c)(7) Reminder Notice will state that (a) each holder of an interest in a Global Note must be able to

make specific representations and warranties as described above under "*Purchase and Transfer Restrictions*"; (b) each holder will hold and transfer its beneficial interest only in authorized denominations; (c) each holder will provide notice of the applicable transfer restrictions to any subsequent transferee; (d) the Global Notes can only be transferred in accordance with the applicable provisions of the Indenture and the legend; and (e) if any holder of an interest in a Global Note is determined not to be a Qualified Purchaser at the time of acquisition of such Note, then the Issuer will have the right, under the Indenture or the Indenture, as applicable, to compel such holder to sell its interest in the Global Notes, or may sell such interest on behalf of such holder on such terms as the Issuer may choose. The Issuer will send each quarterly report (and each Section 3(c)(7) Reminder Notice) to DTC with a request that participants deliver the same to the beneficial owners of the Global Notes.

DTC Actions, Euroclear and Clearstream Actions. The Issuer will direct DTC to take the following steps in connection with the Rule 144A Global Notes:

1. The Issuer will direct DTC to include the "3c7" marker in the DTC 20-character security descriptor and the 48-character additional descriptor for the Rule 144A Global Notes in order to indicate that sales of the Rule 144A Global Notes are limited to Qualified Purchasers that are Qualified Institutional Buyers.

2. The Issuer will direct DTC to cause each physical DTC delivery order ticket delivered by DTC to purchasers to contain the 20-character security descriptor and will direct DTC to cause each DTC delivery order ticket delivered by DTC to purchasers in electronic form to contain the "3c7" indicator and the related user manual for participants.

3. On or prior to the Closing Date, the Issuer will instruct DTC to send an "Important Notice" to all DTC participants in connection with the offering of Rule 144A Global Notes. The "Important Notice" will be in substantially the form of an exhibit to the Indenture and will notify DTC's participants that the Rule 144A Global Notes are Section 3(c)(7) securities.

4. The Issuer will request that DTC include the Rule 144A Global Notes in DTC's "Reference Directory" of Section 3(c)(7) offerings.

5. The Issuer will from time to time (upon the request of the Trustee) request DTC to deliver to the Issuer a list of all DTC participants holding an interest in the Rule 144A Global Notes.

The Issuer will direct Euroclear and Clearstream to take the following steps in connection with the Regulation S Global Notes:

1. The Issuer will direct Euroclear or Clearstream, as applicable, to include the "144A/3(c)(7)" indicator in each entity's securities database.

2. The Issuer will direct Euroclear or Clearstream, as applicable, to deliver to participants a daily securities balances report listing each participant's position in all

securities held through Euroclear or Clearstream. Each report will list the securities by name and will include the "144A/3(c)(7)" indicator where applicable.

3. The Issuer will direct Euroclear or Clearstream, as applicable, to send an annual electronic "Important Notice" to each entity's participants holding the Regulation S Global Notes. The "Important Notice" will notify the participants that the Regulation S Global Notes are Section 3(c)(7) securities.

4. The Issuer will from time to time (upon the request of the Trustee) request Euroclear or Clearstream, as applicable, to deliver to the Issuer a list of all participants holding an interest in the Regulation S Global Notes.

Bloomberg, Telekurs and Reuters Screens, Etc. The Issuer will from time to time request all Bloomberg, Telekurs, Reuters and other financial information service providers to the extent the Issuer believes that these vendors may be used in connection with the purchase of Notes to include on screens maintained by such vendors appropriate legends regarding Rule 144A, Regulation S and Section 3(c)(7) restrictions on the Notes.

Without limiting the foregoing, the Issuer will request that Bloomberg, L.P. include the following on each Bloomberg screen containing information about the Global Notes as applicable:

1. The bottom of the "Security Display" page describing the Rule 144A Global Notes should state: "Iss'd Under 144A/3c7."

2. The bottom of the "Security Display" page describing the Regulation S Global Notes should state: "Iss'd Under Reg S."

3. The "Security Display" page should have a flashing red indicator stating "See Other Available Information."

4. Such indicator for the Rule 144A Global Notes should link to an "Additional Security Information" page, which should state that the Rule 144A Global Notes "are being offered in reliance on the exemption from registration under Rule 144A of the Securities Act to persons that are both (1) "Qualified Institutional Buyers" (as defined in Rule 144A under the Securities Act) and (2) "Qualified Purchasers" (as defined under Section 2(a)(51) of the Investment Company Act)."

5. Such indicator for the Regulation S Global Notes should link to an "Additional Security Information" page, which should state that the Regulation S Global Notes "are being offered in reliance on the exemption from registration under Regulation S of the Securities Act in offshore transactions."

6. The "Disclaimer" pages for the Notes should state that the Notes "will not be and have not been registered under the Securities Act, and the Issuer has not been registered under the Investment Company Act and these securities may not be offered or sold in the United States absent registration or an applicable exemption

from registration requirements and any such offer or sale of these securities must be in accordance with Section 3(c)(7) of the Investment Company Act."

The Issuer will request that Telekurs Holding Ltd. include the following on each Telekurs screen containing information about the Global Notes as applicable:

1. As many times as "the Rule 144A Global Notes" appears on any "Invest Data" screen (or other primary information screen), such screen should include a "144A-3c7" notation.

2. If the Rule 144A Global Notes appear on any "297 screen" (or other primary pricing screen), such Notes should include a "144A-3c7" notation. The 297 screen should also state: "Sell only to both 144A/QIB and 3c7/QP."

3. A Telekurs "Issue Conditions" screen relating to the 3(c)(7) securities should be readily accessible to all subscribers and should state that: "The securities may be sold or transferred only to Persons who are both (i) qualified institutional buyers (as defined in Rule 144A under the Securities Act), and (ii) qualified purchasers (as defined under Section 2(a)(51) under the US Investment Company Act of 1940)."

4. Such indicator for the Regulation S Global Notes should link to an "Additional Security Information" page, which should state that the Regulation S Global Notes "are being offered in reliance on the exemption from registration under Regulation S of the Securities Act in offshore transactions."

The Issuer will request that Reuters Group plc include the following on each Reuters screen containing information about the Notes as applicable:

1. The security name field at the top of the Reuters Instrument Code screen should include a "144A-3c7" notation.

2. A "144A-3c7 Disclaimer" indicator should appear on the right side of the Reuters Instrument Code screen.

3. The "144A-3c7 Disclaimer" indicator should link to a disclaimer screen on which the following language will appear: "These securities may be sold or transferred only to Persons who are both (i) qualified institutional buyers (as defined in Rule 144A under the Securities Act), and (ii) qualified purchasers (as defined under Section 2(a)(51) under the US Investment Company Act of 1940)."

4. Such indicator for the Regulation S Global Notes should link to an "Additional Security Information" page, which should state that the Regulation S Global Notes "are being offered in reliance on the exemption from registration under Regulation S of the Securities Act in offshore transactions."

CUSIP. The Issuer will cause each "CUSIP" number obtained for a Rule 144A Global Note to have an attached "fixed field" that contains "3c7" and "144A" indicators, as applicable.

GENERAL INFORMATION

The Issuer represents that there has been no material adverse change in its financial position since its date of incorporation. The Issuer is not, and has not since incorporation been, involved in any litigation or arbitration proceedings relating to claims in amounts which may have or have had a material effect on the Issuer in the context of the issue of the Notes, nor, so far as the Issuer is aware, is any such litigation or arbitration involving it pending or threatened.

The issuance of the Notes will be authorized by the Board of Directors of the Issuer by resolutions passed on July 26, 2007. Since incorporation, the Issuer has not commenced trading or established any accounts, except as disclosed herein or accounts used to hold amounts received with respect to share capital and fees.

Identification Numbers

The Regulation S Global Notes have been accepted for clearance through Clearstream and Euroclear under the Common Codes indicated below and the CUSIP Numbers and International Securities Identification Numbers (ISIN) for the Notes represented by Regulation S Global Notes and Rule 144A Global Notes are likewise indicated below:

	Regulation S CUSIP Numbers	Regulation S ISIN Numbers	Rule 144A CUSIP Numbers	Rule 144A ISIN Numbers	Regulation S Common Codes
Class A-2 Term Notes	G16531 AB4	USG16531AB45	117668 AC7	US117668AC76	031237327
Class B Notes	G16531 AC2	USG16531AC28	117668 AE3	US117668AE33	031237351
Class C Notes	G16531 AD0	USG16531AD01	117668 AG8	US117668AG80	031237378
Class D Notes	G16531 AE8	USG16531AE83	117668 AJ2	US117668AJ20	031237408
Class E-1 Notes	G16531 AF5	USG16531AF58	Not Applicable	Not Applicable	031357209
Class E-2 Notes	G16531 AG3	USG16531AG32	Not Applicable	Not Applicable	031357438

Notices

Notices to the Noteholders will be given by first-class mail (except that time sensitive notices will be given by overnight mail), postage prepaid, to the registered Noteholders at their addresses appearing in the note register.

RATING OF THE NOTES

It is a condition to the issuance of the Notes that the Class A-1 Revolving Notes have an initial investment grade rating of "AAA" or higher by Fitch, that the Class A-2 Term Notes have an initial investment grade rating of "AAA" or higher by Fitch, that the Class B Notes have an initial investment grade rating of "AA" or higher by Fitch, that the Class C Notes have an initial investment grade rating of "A" or higher by Fitch, and that the Class D Notes have an initial investment grade rating of "BBB" or higher by Fitch. Such ratings will be based upon an evaluation of the ability of the Issuer, with respect to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, to pay on a timely basis interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes at the applicable Note Rates, and the

Outstanding Principal Amount of such Notes on the Scheduled Maturity Date as contemplated by the Basic Documents. Such ratings will not address the ability of the Issuer to repay the Outstanding Principal Amount of the Notes at any time prior to the Scheduled Maturity Date or to make any other payments with respect to the Notes (including the payment of any interest on the Class D Notes at the Class D Note Additional Interest Rate). See "*Risk Factors — Risks Relating to the Collateral — Credit Ratings*." Such ratings will not be a recommendation to purchase, hold or sell any Notes nor will it be a comment as to market price, fees or suitability for a particular investor. There can be no assurance that such ratings will remain for any given period of time or will not be lowered or withdrawn entirely, if in the judgment of the rating agency circumstances in the future so warrant.

LEGAL OPINIONS

Certain matters of Cayman Islands law relating to the Notes will be passed upon for the Issuer by Maples and Calder. The enforceability of the Notes, securities laws and certain federal income tax matters will be passed upon for the Issuer by Jones Day.

ERISA CONSIDERATIONS

To ensure compliance with U.S. Treasury Department Circular 230, investors in SERVES are hereby notified that: (a) any discussion of U.S. Federal tax issues in this Private Placement Memorandum is not intended or written by the Issuer to be relied upon, and cannot be relied upon by investors in SERVES, for the purpose of avoiding penalties that may be imposed on investors in SERVES under the Code; (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein by the Issuer and the Placement Agent; and (c) investors in SERVES should seek advice based on their particular circumstances from their own independent tax advisors.

The following summary regarding certain aspects of ERISA is based on ERISA, the Code, judicial decisions, and DOL and IRS regulations and rulings that are in existence on the date hereof. This summary is general in nature and does not address every issue pertaining to ERISA that may be applicable to the Issuer, the SERVES or a particular investor. Accordingly, each prospective investor should consult with its own counsel in order to understand the issues that affect or may affect the investor with respect to this investment. Furthermore, the issuance of the SERVES is not a representation by the Issuer or the Placement Agent that an investment in the SERVES meets all legal requirements applicable to investments by Benefit Plan Investors, Governmental Plans, Church Plans or non-U.S. plans or that such an investment is appropriate for such Benefit Plan Investors, Governmental Plans, Church Plans or non-U.S. plans.

ERISA and the Code impose certain requirements on employee benefit plans that are subject to Title I of ERISA or Section 4975 of the Code ("**Plans**") and on those persons who are "fiduciaries" with respect to Plans. In considering an investment of the assets of a Plan subject to Title I of ERISA in SERVES, a fiduciary must, among other things, discharge its duties solely in the interest of the participants of such Plan and their beneficiaries and for the exclusive purpose of providing benefits to such participants and beneficiaries and defraying reasonable expenses of administering the Plan. A fiduciary must act prudently and must diversify the investments of a Plan subject to Title I of ERISA, giving appropriate consideration to the role

that the investment plays in the Plan's portfolio, whether the investment is reasonably designed to further the Plan's purposes, the risk and return factors of the potential investment, including whether the investment may be too illiquid or too speculative for the Plan and the liquidity and current return of the Plan's total portfolio relative to the anticipated cash flow needs of the Plan, the projected return of the total portfolio relative to the Plan's funding objectives, and the limitation on the rights of investors to redeem or transfer all or any part of the potential investment. A fiduciary must also discharge its duties in accordance with the documents and instruments governing such Plan and may not cause a Plan to engage in certain transactions that are prohibited under ERISA or Section 4975 of the Code. Furthermore, ERISA requires fiduciaries to hold all assets of a Plan subject to Title I of ERISA in trust and to maintain the indicia of ownership of any assets of a Plan subject to Title I of ERISA within the jurisdiction of the U.S. district courts.

In applying these rules to the acquisition of SERVES, it is necessary to identify whether "plan assets" as defined in ERISA are involved. Section 3(42) of ERISA and U.S. Department of Labor ("**DOL**") Regulation Section 2510.3-101 (the "**Plan Asset Regulation**") define "plan assets" to include not only securities held by a Plan but also the underlying assets of the issuer of any equity interest owned by a Plan (the "**Look-Through Rule**") unless an exception is applicable. Therefore, if plan assets are involved in the acquisition of SERVES, the management of the assets of the Issuer may be subject to the fiduciary duties described above.

The only exception to the Look-Through Rule that could apply to the SERVES provides generally that the Look-Through Rule does not apply to an entity if less than 25% of each class of the entity's equity interests is owned by "benefit plan investors" (the "**25% Threshold**"). A "benefit plan investor" is defined in the Plan Asset Regulation, as amended by ERISA, as (i) an employee benefit plan subject to Part 4 of Subtitle B of Title I of ERISA, (ii) a plan to which Section 4975 of the Code applies (*e.g.*, an individual retirement account), or (iii) an entity whose underlying assets include plan assets by reason of a Plan's investment in the entity (*e.g.*, if benefit plan investors own 25% or more of its equity) (each of (i), (ii) and (iii), a "**Benefit Plan Investor**").

Under the exception noted above, the Look-Through Rule will not apply to the underlying assets of the Issuer if less than 25% of the value of each class of the Issuer's equity interests is held by Benefit Plan Investors. Several rules apply in calculating this percentage under the Plan Asset Regulation, as amended by ERISA. First, a proportionate rule applies to investments by one entity in another entity. Under this rule, if 25% or more of an investor's equity interests are held by Benefit Plan Investors, only a proportionate amount of its investment counts towards the 25% Threshold (but if less than 25% of each class of an investor's equity interests are held by Benefit Plan Investors, none of the investor's investment counts). Second, an entity must determine whether the 25% Threshold has been reached each time an investor acquires an equity interest in the entity. The DOL has taken the position in this regard that a redemption of an equity interest by an investor constitutes the acquisition of an equity interest by the remaining investors (through an increase in their percentage ownership of the remaining equity interests). Third, for this purpose, the value of any equity interests held by a person (other than a Benefit Plan Investor) 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 any affiliate of such a person (any such person, a "**Controlling Person**"), is disregarded.

Based on the U.S. Supreme Court decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), the purchase, by a Plan subject to Title I of ERISA, of an insurance contract that is not guaranteed by the insurance company or part of a separate account will result in the portion of the insurance company's general account attributable to such purchase being deemed to be plan assets. Thus, an insurance company that is purchasing SERVES with the assets of its general account will be a Benefit Plan Investor if such general account contains any assets of a Plan subject to Title I of ERISA. However, under the Plan Asset Regulation, if less than 25% of the assets of the insurance company's general account are assets of Benefit Plan Investors, the Look-Through Rule will not apply to purchases of SERVES by the insurance company.

The Plan Asset Regulation provides that an equity interest does not include an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. While the Preamble to the Plan Asset Regulation states that an instrument will not fail to be a debt instrument merely because it has certain equity features, such as additional variable interest and conversion rights that are incidental to the primary fixed obligation, the DOL has provided little guidance with respect to determining whether an instrument is treated as indebtedness under applicable local law or has substantial equity features. The Notes are governed by the laws of the State of New York. The few courts that have dealt with this issue generally differentiate between equity owners, whose securities represent certain rights to profit accompanied by a relatively greater risk of loss, and investors holding debt, who receive periodic payments without regard to profits and repayment of principal at a fixed maturity date ahead of the equity owners.

Despite the dearth of DOL guidance with respect to distinguishing between debt and equity and defining when equity features are substantial, the Preamble to the Plan Asset Regulation does address when such determinations should be made, noting that the characterization of an instrument may change over time. Specifically, the Preamble to the Plan Asset Regulation provides that the determination should be made continuously during a Plan's holding of an instrument so that all Plans that have invested in the instrument are treated uniformly. Therefore, while an instrument at the time of purchase may be characterized as debt with equity features that are not substantial, it is possible that, over a period of time, the equity features may become substantial, and thereby require the instrument to be treated as an equity interest for the purposes of ERISA and Section 4975 of the Code. The Look-Through Rule will apply to any Benefit Plan Investor that holds such an instrument from the time that it is characterized as an equity interest unless an exception applies.

As of the Closing Date, it is anticipated that the Class E Notes will be treated as equity interests for purposes of the Look-Through Rule. Accordingly, unless ownership of the Class E Notes is restricted, a Benefit Plan Investor that acquires a Class E Note may be treated as having acquired a direct interest in the underlying assets of the Issuer. As of the Closing Date, it is anticipated that the Class A Notes, the Class B Notes and the Class C Notes will be and the Class D Notes should be treated as debt obligations without substantial equity features for purposes of the Look-Through Rule, although there can be no guarantee that they would be so treated by a

court if it were presented with the issue. This may be particularly true over time in light of the fact that any equity feature of such Class A Notes, Class B Notes, Class C Notes or Class D Notes may become substantial over the course of holding such Notes which may require some or all of such Notes to be reclassified as equity interests. In view of equity's greater risk of loss vis á vis debt, the degree of subordination of each class of Notes is relevant in determining whether it has this equity feature, and, if so, the degree to which it is substantial. Classes of Notes with a lower principal subordination amount, such as the Class D Notes, are more likely to have an equity feature that is substantial in nature. In addition, the likelihood that the Class D Notes share in any remaining balance under the Maturity Date Priority of Payments may change over time. Thus, the Class D Notes, in particular, may be more likely to have one or more equity feature that becomes substantial in light of changes over time. Accordingly, as of the Closing Date, a Benefit Plan Investor that acquires a Class A Note, a Class B Note, a Class C Note or a Class D Note should not be treated as having acquired a direct interest in the assets of the Issuer. However, if it is later determined that such a Class A Note, a Class B Note, a Class C Note or a Class D Note should be treated as an equity interest, any Benefit Plan Investor that acquires or holds such Note may be treated as holding a direct interest in the assets of the Issuer unless an exception to the Look-Through Rule applies.

In addition to the impact of the Look-Through Rule, an investor who is considering purchasing SERVES with plan assets also must ensure that the acquisition will not constitute or result in a non-exempt prohibited transaction. Sections 406(a) and 407 of ERISA and Sections 4975(c)(1)(A), (B), (C) and (D) of the Code prohibit certain transactions that involve a Plan and a "party in interest" as defined in Section 3(14) of ERISA or a "disqualified person" as defined in Section 4975(e)(2) of the Code with respect to such Plan. Examples of such prohibited transactions include, but are not limited to, sales of property (such as the SERVES) or extensions of credit between a Plan and a party in interest or disqualified person. Section 406(b) of ERISA and Sections 4975(c)(1)(E) and (F) of the Code generally prohibit a fiduciary with respect to a Plan from dealing with the assets of the Plan for its own benefit (for example when a fiduciary of a Plan uses its position to cause the Plan to make investments from which the fiduciary (or a party related to the fiduciary) receives a fee or other consideration).

ERISA and the Code contain certain exemptions from the prohibited transactions described above, and the DOL has issued several exemptions, although certain exemptions do not provide relief from the prohibitions on self-dealing contained in Section 406(b) of ERISA and Sections 4975(c)(1)(E) and (F) of the Code. Exemptions include Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code pertaining to certain transactions with non-fiduciary service providers, DOL Prohibited Transaction Class Exemption ("**PTCE**") 95-60 applicable to transactions involving insurance company general accounts; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 84-14, regarding investments effected by a "qualified professional asset manager"; and PTCE 96-23, regarding investments effected by an in house asset manager. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by the exemptions might not cover all acts that might be construed as prohibited transactions. Under Section 4975 of the Code, excise taxes are imposed on parties involved in non-exempt prohibited transactions.

Each of the Issuer, the Trustee and the Placement Agent or their respective affiliates may be a party in interest or disqualified person with respect to one or more Plans, and each fiduciary or other person acting on behalf of any Plan in connection with the acquisition of any SERVES should determine the applicability of exemptive relief under ERISA or the Code. Generally, if exemptive relief is available for prohibited transactions described in Section 406(a) of ERISA or Section 4975(c)(1)(A), (B), (C) or (D) of the Code, a prohibited transaction under Section 406(b) of the Code or Section 4975(c)(1)(E) or (F) is not a concern for the investor. Nonetheless, a prohibited transaction under Section 406(b) of ERISA and Sections 4975(c)(1)(E) or (F) of the Code generally will not occur if (i) neither an investor in SERVES nor any affiliate of such investor has discretionary authority or control with respect to the assets of the Issuer or provides investment advice for a fee (direct or indirect) with respect to such assets and (ii)(a) none of the Issuer, the Collateral Manager, the Trustee, the Placement Agent or the Paying Agent, or any of their affiliates (the "**Affected Persons**") is a "fiduciary" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code with respect to an investor in SERVES or (b) the investment decision to purchase SERVES was made by a "fiduciary" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code with respect to the investor other than the Affected Persons and neither such fiduciary nor the investor has relied on any advice or recommendation from the Affected Persons as a basis for the decision to purchase SERVES.

As a general rule, certain plans, including governmental plans (as defined in Section 3(32) of ERISA) ("**Governmental Plans**"), church plans (as defined in Section 3(33) of ERISA) that have not made an election under Section 410(d) of the Code ("**Church Plans**"), and non-U.S. plans are not subject to ERISA's requirements. Accordingly, assets of such plans may be invested without regard to the fiduciary and prohibited transaction considerations described above. Although a Governmental Plan, a Church Plan or a non-U.S. plan is not subject to ERISA or Section 4975 of the Code, it may be subject to other federal, state, local or non-U.S. law that regulates its investments ("**Similar Law**"). A fiduciary of a Governmental Plan, a Church Plan or a non-U.S. plan should make its own determination as to the requirements, if any, under any Similar Law applicable to the purchase of SERVES.

In order to eliminate the need to monitor ownership of the Class E Notes by Benefit Plan Investors and to avoid the applicability of ERISA's fiduciary duties to the management of the assets of the Issuer, except as otherwise provided in the next sentence, any investor using Plan assets cannot acquire the Class E Notes if such investor is a Benefit Plan Investor. However, if the Benefit Plan Investor is an insurance company using the assets of its general account to purchase the Class E Notes and less than 25% of the assets of such general account are assets of Benefit Plan Investors, such insurance company may purchase the Class E Notes with the assets of its general account as provided below.

Therefore, no Class E Notes may be purchased by or transferred to any investor unless such investor represents that (a)(i) it is not a Benefit Plan Investor or a Governmental Plan, a Church Plan or a non-U.S. plan, (ii)(A) it is an insurance company purchasing the Class E Note with the assets of its general account, (B) less than 25% of the assets of such general account are assets of Benefit Plan Investors, (C)(1)(x) the conditions of DOL PTCE 95-60 are met such that PTCE 95-60 is applicable to the purchase and holding of the Class E Note and (y) the purchase and holding of the Class E Note will not result in a nonexempt prohibited transaction under Section 406(b) of ERISA or Section 4975(C)(1)(E) or (F) of the Code or (2) it will provide an

opinion of counsel acceptable to the Trustee and the Placement Agent that the purchase and holding of the Class E Note will not be a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or (iii)(A) it is a Governmental Plan, a Church Plan or a non-U.S. plan and (B) that the purchase and holding of the Class E Note is not subject to (1) ERISA, (2) Section 4975 of the Code or (3) any Similar Law that prohibits or imposes an excise or penalty tax on the purchase or holding of such Class E Note unless an exception or exemption applies and (b) it will promptly notify the Issuer, the Placement Agent and the Trustee if, after its initial acquisition of the Class E Note, it is no longer able to make the representations contained in clause (a) above. The investor acknowledges that any purported transfer of the Class E Note to a transferee that does not comply with the foregoing requirements shall be null and void *ab initio*.

The Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes may be acquired by a Benefit Plan Investor, but only if the acquisition will not result in a non-exempt prohibited transaction. Therefore, each purchaser and transferee of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will be deemed to represent that (a)(i) it is not a Benefit Plan Investor or a Governmental Plan, a Church Plan or a non-U.S. plan, (ii)(A)(1)(x) it is a Benefit Plan Investor acquiring such Class A Note, Class B Note, Class C Note or Class D Note in reliance on the availability of a prohibited transaction exemption contained in ERISA or the Code, such as Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code pertaining to certain transactions with non-fiduciary service providers, or granted by the DOL, under circumstances such that the exemption is applicable to the purchase and holding of such Class A Note, Class B Note, Class C Note or Class D Note and (y) the purchase and holding of such Class A Note, Class B Note, Class C Note or Class D Note will not result in a non-exempt prohibited transaction under Section 406(b) of ERISA or Section 4975(C)(1)(E) or (F) of the Code or (2) it will provide an opinion of counsel, acceptable to the Trustee and the Placement Agent, that the acquisition and holding of the Class A Note, the Class B Note, the Class C Note or the Class D Note will not be a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, and (B) such Benefit Plan Investor has not determined that the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes are equity interests for purposes of ERISA or (iii)(A) it is a Governmental Plan, a Church Plan or a non-U.S. plan and (B) that the purchase and holding of such Class A Note, Class B Note, Class C Note or Class D Note is not subject to (1) ERISA (2) Section 4975 of the Code or (3) any Similar Law that prohibits or imposes an excise or penalty tax on the purchase or holding of such Class A Note, Class B Note, Class C Note or Class D Note and (b) it will promptly notify the Issuer, the Placement Agent and the Trustee if, at any time, it is no longer able to make the representations contained in clause (a) above. The purchaser acknowledges that any purported transfer of any such Class A Notes, Class B Notes, Class C Notes or Class D Notes to a transferee that does not comply with the foregoing requirements shall be null and void *ab initio*.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

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

U.S. federal income tax law. Each prospective purchaser of Notes should consult its own tax advisors to determine the particular tax consequences to them of the purchase, ownership and disposition of the Notes, including but not limited to consequences arising under the tax laws of the jurisdiction of its residence.

To ensure compliance with U.S. Treasury Department Circular 230, investors in the Notes are hereby notified that: (a) any discussion of U.S. Federal tax issues in this Private Placement Memorandum is not intended or written by the Issuer to be relied upon, and cannot be relied upon by investors in the Notes, for the purpose of avoiding penalties that may be imposed on investors in the Notes under the U.S. Internal Revenue Code; (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein by the Issuer and the Placement Agent, and (c) investors in the Notes should seek advice based on their particular circumstances from their own independent tax advisors.

This summary is based on the United States Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury Department regulations thereunder, published rulings and procedures of the United States Internal Revenue Service ("**IRS**"), and court decisions, all as in effect on the date of this Private Placement Memorandum. No ruling has been or will be sought from the IRS. Future legislative or administrative changes or court decisions, which may have retroactive application, could significantly and adversely affect this summary.

This summary is directed solely to beneficial owners that purchase Notes from the Issuer and hold them as capital assets within the meaning of Section 1221 of the Code. This summary does not purport to address all U.S. federal income tax matters that may be relevant to particular investors, some of whom (such as individuals, banks, insurance companies, registered investment companies, tax-exempt entities, securities dealers, and taxpayers holding Notes as a hedge or as a part of a straddle) may be subject to special rules. Except as indicated, this summary is directed to prospective purchasers in connection with the initial offering of the Notes described herein, and not to subsequent purchasers. Accordingly, each prospective purchaser of Notes should consult its own tax advisor concerning the tax consequences of the purchase, ownership and disposition of the Notes under U.S. federal income tax law, the tax law of any relevant state or locality, and the tax law of any relevant foreign jurisdiction.

For purposes of this summary, a "**U.S. Holder**" includes a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States of America, (ii) an entity treated for U.S. federal income tax purposes as a corporation created or organized in or under the laws of the United States of America or any state thereof or the District of Columbia, (iii) an estate the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust if, in general, a court within the United States of America is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of such trust, and certain eligible trusts that have elected to be treated as U.S. persons. If a Note is held by an entity treated as a partnership for U.S. federal income tax purposes, the U.S. federal income tax consequences to persons treated as partners in such entity may depend on the status of such persons and the activities of such entity. A "**non-U.S. Holder**" is a beneficial owner of Notes that is not a U.S. Holder.

Tax Treatment of the Issuer

Classification of the Issuer. Under Treasury Regulations governing the U.S. federal income tax treatment of entities organized under non-U.S. laws, a Cayman Islands limited liability company is generally classified as an association taxable as a corporation unless it affirmatively elects other treatment. The Issuer does not intend to make any such election, and its governing documents preclude its making such an election. For U.S. federal income tax purposes, the Issuer will be classified as a corporation and the remainder of this summary assumes that the Issuer will be so treated.

Taxation of the Issuer. Section 864(b)(2) of the Code provides a specific exemption from U.S. federal income tax to non-U.S. corporations which either (i) trade stocks or securities through a resident broker, commission agent, custodian or other independent agent or (ii) restrict their activities in the United States to trading in stocks and securities (and any other activity closely related thereto) for their own account, whether such trading (or such other activity) is by the corporation or its employees or through a resident broker, commission agent, custodian or other agent. This particular exemption described in clause (ii) above does not apply to foreign corporations that are dealers in stocks and securities.

Prior to the issuance of the Notes, the Issuer will receive an opinion from Jones Day, tax counsel to the Issuer ("**Tax Counsel**") based, in part, on the exemption described in the preceding paragraph to the effect that, although no activity closely comparable to that contemplated by the Issuer has been the subject of any Treasury regulation, revenue ruling or judicial decision, and assuming compliance with the Issuer's Memorandum and Articles of Association, the Indenture, the Collateral Management Agreement, and other related documents by all parties thereto, the Issuer's permitted activities will not cause it to be treated as engaged in a United States trade or business under the Code and, consequently, the Issuer's profits will not be subject to United States income tax on a net income basis or the branch profits tax. The opinion of Tax Counsel will be based on the Code, the Treasury regulations (final, temporary and proposed) thereunder, the existing authorities, and Tax Counsel's interpretation thereof, all as in effect as of the date of such opinion, and on certain factual assumptions and representations as to the Issuer's contemplated activities. The Issuer intends to conduct its business in accordance with the assumptions, representations and agreements upon which the opinions of Tax Counsel are based.

Notwithstanding the foregoing, if it were determined that the Issuer was engaged in a United States trade or business and had income that was effectively connected with such United States trade or business, then, among other adverse consequences, the Issuer would be subject under the Code to the regular corporate income tax on such effectively connected income and possibly to the 30% branch profits tax as well. The imposition of such taxes would materially affect the Issuer's financial ability to make payments with respect to the Notes and could materially affect the return on the Notes. In addition, if it were determined that the Issuer was engaged in a United States trade or business and had income that was effectively connected with such United States trade or business, all or a portion of payments on the Notes to a holder that is not a U.S. Holder could be subject to a 30% U.S. withholding tax.

The remainder of this discussion assumes that the Issuer's permitted activities will not cause it to be treated as engaged in a United States trade or business under the Code.

The Issuer expects that its income from the CDO Assets and the Eligible Investments will not be subject to U.S. federal withholding tax.

Tax Classification of the Notes

The Issuer intends to treat the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes as debt instruments of the Issuer for U.S. federal income tax purposes, and each Class A Noteholder, Class B Noteholder, Class C Noteholder and Class D Noteholder will agree so to treat their Notes. The Issuer intends to treat the Class E Notes as equity of the Issuer for U.S. federal income tax purposes. Such positions are not binding on the IRS or the courts.

In general, whether a security represents debt or equity of its issuer for U.S. federal income tax purposes depends on all the relevant facts and circumstances, including the risks attendant to the issuer's business and the nature of its other obligations. Cases and rulings discussing such issues typically identify a number of features that are suggestive but not determinative of classification as debt. The Class A Notes, Class B Notes, Class C Notes and Class D Notes have many such features of debt, including their legal form as debt (and corresponding rights of holders of such Notes under applicable law). In addition, the Class A Notes, Class B Notes and Class C Notes have a favorable ratio of such Notes to the subordinate interests – *i.e.*, the Class D Notes, Class E Notes and Ordinary Shares. In the case of the Class D Notes, the ratio to the subordinate interests is not favorable, with the result that a relatively small decrease in the value of the Collateral could result in the Class D Notes not being repaid in full, a characteristic of equity. Nevertheless, the existence of investment grade debt ratings from the Rating Agency for all of the Class A Notes, Class B Notes, Class C Notes and Class D Notes supports treatment of the Notes as debt instruments.

Based on the consideration of these factors, in the opinion of Tax Counsel, for U.S. federal income tax purposes, the Class A Notes, the Class B Notes and the Class C Notes will be treated as debt obligations. There can be no assurance that the IRS or a court would agree with this opinion. If, contrary to the Issuer's intended treatment as debt, any class of Notes is treated as equity, their treatment would be determined under the rules set forth below for the Class E Notes as set out below. See "— *Tax Treatment of U.S. Holders of Class E Notes*" below. Thus, holders of the Class D Notes, as well as other Noteholders, may wish to consider making the Qualified Electing Fund ("**QEF**") election described therein.

The remainder of this discussion assumes that the Class A Notes, Class B Notes, Class C Notes and Class D Notes will be treated as debt for federal income tax purposes.

Tax Treatment of U.S. Holders of Class A Notes, Class B Notes and Class C Notes

Interest. Interest paid or accrued on the Class A Notes, the Class B Notes or the Class C Notes will be treated as ordinary income to the U.S. Holders, principal payments on such Notes will be treated as a return of capital to the extent of the U.S. Holders' tax basis. An accrual method taxpayer should be required to include in gross income interest on the Class A Notes, the

Class B Notes or the Class C Notes when earned, even if not paid, unless it is determined to be uncollectible.

Sale or Retirement. If a Class A Note, Class B Note or Class C Note is sold or retired, the U.S. Holder will recognize gain or loss equal to the difference between the amount realized on the sale and such Holder's adjusted basis in the Note. Such adjusted basis generally will equal the U.S. Holder's cost of the Note. For all Noteholders, adjusted basis will be reduced by payments other than payments of interest on the Note received by the seller or U.S. Holder. A U.S. Holder of a Class A Note, Class B Note or Class C Note who receives a final payment that is less than such Holder's adjusted basis in the Note will generally recognize a loss in the amount of the shortfall on the last day of such Holder's taxable year. Generally, any such gain or loss realized by a U.S. Holder who holds a Class A Note, Class B Note or Class C Note as a "capital asset" within the meaning of Code Section 1221 should be capital gain or loss, except that a loss attributable to accrued but unpaid interest may be an ordinary loss.

Tax Treatment of U.S. Holders of Class D Notes

The Class D Notes will be subject to the Treasury regulations governing "contingent payment debt instruments" and, as a result, all interest (including both interest at the Class D Note Rate and additional interest) must be reported by a U.S. Holder of Class D Notes over the term of the Class D Notes without regard to the timing (or actual receipt at any time) of cash payments. Under these regulations, there are four steps in determining the amount of interest income includable by a U.S. Holder of a Class D Note for any period. First, the "comparable yield" must be determined – *i.e.*, the yield at which the issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the contingent payment debt obligation. Second, a projected payment schedule must be determined, which schedule must produce a yield equal to the comparable yield. Third, for each taxable year, the daily portion of interest includable for any period during a taxable year must be computed by multiplying the comparable yield by the debt instrument's adjusted issue price at the beginning of such period. The comparable yield and projected payment schedule can be obtained upon request from Allen D. Shifflet, Managing Director, Bank of America Securities LLC at (704) 386-0183.

As a final step, the interest includable for any period must be adjusted for differences between the projected payment schedule and the actual contingent payments made. In general, if actual payments exceed projected payments, additional interest income must be accrued as a positive adjustment. If actual payments are less than projected payments, a negative adjustment will be made in the form of reduced interest accruals or a loss will be recognized. Class D Noteholders should consult their own tax advisors as to the application of the regulations on contingent payment debt instruments to the Notes.

Gain recognized on the sale, retirement or other disposition of Class D Notes by a U.S. Holder will be treated as interest income. Loss recognized on a sale or other disposition of Class D Notes will be treated as ordinary loss to the extent that, under the rules for contingent payment debt instruments described above, the holder's total interest inclusions (including any positive adjustments) exceeds his total net negative adjustments. Any additional loss will be treated as capital loss.

Tax Treatment of U.S. Holders of Class E Notes

The Issuer will treat (and by acceptance thereof, each Class E Noteholder will agree to treat) the Class E Notes as equity interests in the Issuer for U.S. federal income tax purposes. Such positions are not binding on the IRS or the courts. The remainder of this summary assumes that the Class E Notes will be treated as equity.

Subject to the discussion below of the passive foreign investment company rules and the controlled foreign corporation rules, in general, U.S. Holders of Class E Notes should be required to include in gross income for U.S. federal income tax purposes the cash amount of any distributions received. Such distributions will (despite their denomination as interest) be treated as dividends (to the extent that the Issuer has sufficient "earnings and profits," as is expected). A U.S. Holder will not be eligible for the dividends received deduction with respect to distributions on the Notes, nor will a U.S. Holder who is an individual be eligible for the recently reduced rates generally applicable to dividends paid by U.S. corporations and "qualified foreign corporations."

Passive Foreign Investment Company Rules. It is expected that the Issuer will be a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes. As a result, any U.S. Holder of Class E Notes that receives an "excess distribution" will be subject to an increased tax amount with respect to each prior year based on an assumption that such excess was ordinary income economically earned over all such prior years. The total excess distribution for any taxable year is the excess of (a) the total distributions received by the taxpayer during the year over (b) 125 percent of the average amount received by the taxpayer during the three preceding years (or, if shorter, the taxpayer's holding period). In addition, any gain on the disposition of equity in a PFIC is treated as an excess distribution. The deferred tax amount is equal to the sum of (a) the aggregate increases in taxes (computed at the maximum marginal rate) for each year in the taxpayer's holding period before the current year that would result from allocating the excess distributions ratably over the taxpayer's holding period and (b) interest on those increases. It is likely that the distributions paid to Class E Noteholders will vary from year to year, particularly with regard to the payments of additional interest thereon, and such variation could result in an additional U.S. federal income tax cost under the "excess distribution" rules. If applicable to a U.S. Holder of Class E Notes, the rules pertaining to a "controlled foreign corporation" (discussed below) effectively override those pertaining to a PFIC under most circumstances.

In order to avoid the application of the above PFIC rules, U.S. Holders of Class E Notes may wish to consider making the QEF election. If a U.S. Holder of Class E Notes makes a valid QEF election, instead of being subject to the PFIC rules discussed above, such U.S. Holder will generally be required to include as ordinary income its *pro rata* share of the Issuer's ordinary earnings for each taxable year and to include in gross income as capital gains its *pro rata* share of the Issuer's net capital gains for the taxable year (even if the amount of such income exceeds the cash received by the U.S. Holder for the taxable year). Subsequent dividends received by the U.S. Holder will not be taxable to the extent of amounts previously included in gross income by the U.S. Holder under these rules.

In addition, any losses of the Issuer in a taxable year will not be available to such U.S. Holder and may not be carried back or forward in computing the Issuer's ordinary earnings and net capital gain in other taxable years. The Trustee will, on behalf of the Issuer and in accordance with Treasury Regulations, provide U.S. Holders of Class E Notes (or arrange for them to be provided) with an annual information statement that will allow them to determine their *pro rata* share of the Issuer's ordinary earnings and net capital gains for purposes of the QEF rules.

A U.S. Holder making the QEF election may have amounts of so-called "phantom income" – *i.e.*, income for U.S. federal income tax purposes that exceeds the amounts distributed on the Class E Notes. Such phantom income may, under some circumstances, make the QEF election undesirable (as compared to reporting under the normal rules for PFICs described above). One possibility for "phantom income" arises from amounts earned by the Issuer that cannot be distributed due to the restrictions on its payments prior to maturity. See "*Description of the SERVES — Priority of Payments*" above. U.S. Holders of Class E Notes are urged to consult with their own tax advisors with respect to the consequences and desirability of making the QEF election.

U.S. Holders of the Class E Notes that make the QEF election may also elect to defer payment of some or all of the taxes on the QEF's income, subject to an interest charge on the deferred amount.

Controlled Foreign Corporation Rules. Different rules apply if U.S. Holders of Class E Notes (or any other Class of Notes, if it is treated as equity), or U.S. Holders treated as constructively owning such Notes, each owning 10 percent of the equity of the Issuer by vote ("**10-Percent Shareholders**") own in total more than 50 percent of the Issuer by vote or equity value. If these ownership tests are met for a period of 30 days, the Issuer will be treated as a controlled foreign corporation ("**CFC**"). It is unclear whether the Notes would be viewed as having voting rights for this purpose. If the Issuer were treated as a CFC, a U.S. Holder of Class E Notes would be treated, subject to certain exceptions, as receiving a deemed dividend at the end of the taxable year of the Issuer in an amount equal to its *pro rata* share of the "subpart F income" of the Issuer. Among other items, and subject to certain exceptions, "subpart F income" includes interest, gains from the sale or exchange of assets and income from notional principal contracts. Thus, it is likely that, if the Issuer were to constitute a CFC, all of its income would be subpart F income, but this would be reduced for accrual of interest or OID on any Notes that are treated as debt.

Furthermore, if the Issuer were treated as a CFC and a U.S. Holder were treated as a U.S. Holder therein, the Issuer would not be treated as a PFIC with respect to such U.S. Holder for the period during which the Issuer remained a CFC and such U.S. Holder remained a U.S. Holder therein. The application of the rules governing CFCs can be quite complex, and potentially affected U.S. Holders of Class E Notes are encouraged to consult their own tax advisors.

Gain or Loss Upon Disposition of Class E Notes. Gain or loss realized on the sale or other disposition of Class E Notes by a U.S. Holder (including by redemption) will be treated for U.S. federal income tax purposes (subject to the rules concerning passive foreign investment companies and controlled foreign corporations discussed below) as capital gain or loss in an

amount equal to the difference between the amount realized on the disposition and such Holder's tax basis in the Class E Notes.

Initially, a U.S. Holder's tax basis for a Class E Note will equal the cost of such Note to such U.S. Holder. Such basis will be increased by amounts taxable to such U.S. Holder by virtue of a QEF election, or by virtue of the controlled foreign corporation rules, and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or are treated as a nontaxable reduction to the U.S. Holder's tax basis for the Class E Note (as discussed below). If a U.S. Holder does not make a timely QEF election, any gain realized on the sale, exchange, redemption, retirement or other taxable disposition of a Class E Note will be taxed as ordinary income and subject to an additional tax reflecting a deemed interest charge under the PFIC rules discussed above. If the Issuer were treated as a controlled foreign corporation and a U.S. Holder were treated as a "10-Percent Shareholder" therein, as discussed above, then any gain realized by such U.S. Holder upon the disposition of Class E Notes, other than gain constituting an excess distribution under the passive foreign investment company rules, if applicable, would be treated as ordinary income to the extent of the U.S. Holder's share of the current or accumulated earnings and profits of the Issuer. In this regard, earnings and profits would not include any amounts previously taxed pursuant to a QEF election or pursuant to the controlled foreign corporation rules.

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

A non-U.S. Holder will not be subject to U.S. federal withholding tax on interest or other payments on Notes or on gains realized on a sale or disposition of such Notes (including by redemption). Non-U.S. Holders will not be subject to U.S. federal income taxation unless such payments or gain is effectively connected with the conduct of a U.S. trade or business by such non-U.S. Holder (or, in the case of gain realized by an individual, the person is present in the U.S. for 183 days or more in the year of sale and certain other requirements are met).

State and Local Tax Consequences

The discussion above does not address the U.S. state and local tax consequences of the purchase, ownership or disposition of the Notes or U.S. state and local tax considerations that may be relevant to the operation of the Issuer. Each prospective purchaser of Notes should consult its own tax advisors regarding these matters.

Holder Reporting and Disclosure Requirements

Under the Code and U.S. Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, certain foreign entities. Penalties for failure to file certain of these information returns are severe.

A U.S. Holder that purchases Notes for cash will be required to file a Form 926 or similar form with the IRS if (a) such person owned, directly or by attribution, immediately after the purchase at least 10% by voting power or value of the Issuer or (b) if the purchase, when aggregated with all transfers made by such person (or any related person) within the preceding 12 month period, exceeds U.S.$100,000. In the event a U.S. Holder fails to file any such required form, the U.S. Holder could be required to pay a penalty equal to 10% of the gross

amount paid for such Notes (subject to a maximum penalty of U.S.$100,000, except in cases involving intentional disregard). U.S. persons should consult their tax advisors with respect to this or any other reporting requirement that may apply with respect to their acquisition of the Notes.

The Treasury recently released in final form regulations on registration, tax return disclosure and maintenance of customer lists with respect to certain transactions deemed to be "tax shelters." These regulations were adopted by reference for purposes of the new provisions on disclosure by "material advisors" added by the American Jobs Creation Act of 2004. Reportable transactions include transactions generating (or with the reasonable expectation of generating) a loss under Section 165 of the Code (without taking into account any offsetting items) of at least U.S.$10 million in any one taxable year or U.S.$20 million in any combination of taxable years (with different thresholds applying in the case of non-corporate taxpayers). Each prospective purchaser of Notes should consult its own tax advisors regarding these "tax shelter" requirements.

Information Reporting and Backup Withholding

Information reporting to the IRS will generally be required with respect to principal and interest payments on the Notes and proceeds of the sale of the Notes to holders other than corporations and other exempt recipients. A "backup" withholding tax will apply to payments made to Holders who fail to provide certain identifying information (such as a Holder's taxpayer identification number). Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Each prospective purchaser should consult with its own tax advisers concerning the procedures whereby they may establish an exemption from backup withholding.

THE FOREGOING DISCUSSION DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF ITS PARTICULAR INVESTMENT CIRCUMSTANCES OR TO CERTAIN TYPES OF HOLDERS SUBJECT TO SPECIAL TREATMENT UNDER THE U.S. FEDERAL INCOME TAX LAWS, NOR DOES SUCH DISCUSSION ADDRESS ANY ASPECTS OF STATE, LOCAL, OR FOREIGN TAX LAWS OR OF ANY FEDERAL TAX LAWS OTHER THAN THE INCOME TAX LAWS. ACCORDINGLY, PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF NOTES, INCLUDING THE APPLICATION OF U.S. FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE FUTURE CHANGES IN SUCH TAX LAWS.

CERTAIN CAYMAN ISLANDS TAX CONSIDERATIONS

In the opinion of Maples and Calder, Cayman Islands counsel to the Issuer, there is, at present, no direct taxation in the Cayman Islands. Interest, dividends, income and gains of the Issuer will be received free of all Cayman Islands income tax, and amounts paid by the Issuer on the Notes will not be subject to Cayman Islands income or withholding taxes. The Issuer has

applied, and expects to receive, an undertaking from the Governor-in-Cabinet of the Cayman Islands to the effect that, for a period of 20 years from the date of the granting of the undertaking, no law that is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations; and, in addition, that no tax to be levied on profits, income, gains or appreciations or that is in the nature of estate duty or inheritance tax shall be payable by the Issuer on or in respect of the shares, debentures or other obligations of the Issuer or by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

ANNEX A

ADDITIONAL DEFINED TERMS

All capitalized terms not otherwise defined in the text of this Private Placement Memorandum herein have the definitions set forth below.

"**Accounts**" means the Principal Collateral Account, the Interest Collateral Account, each Synthetic Security Counterparty Account and each Synthetic Security Issuer Account, as the context may require.

"**Accredited Investor**" means any "accredited investor" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933.

"**Accrued Interest**" means the aggregate amount of accrued interest on the CDO Assets that are not Impaired Assets, exclusive of any amounts past due, to but excluding the applicable Measurement Date.

"**Accumulation Period**" means the period commencing on and including the Closing Date and ending on and including the date that is the earlier of (a) the Fully Funded Date or (b) 90 days after the Closing Date.

"**Affiliate**" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 51% or more of the securities having ordinary voting power for the election of directors of such Person or (b) direct or cause the direction of the management and policies of such Person whether by contract or otherwise; *provided* that no special purpose company to which the Collateral Manager provides investment advisory services shall be considered an Affiliate of the Collateral Manager.

"**Aggregate Excess Funded Spread**" means, as of any Measurement Date, the aggregate amount (not less than zero) of, for each Floating Rate CDO Asset, the product of (i) the related LIBOR plus the spread of the CDO Asset and (ii) the par amount of such CDO Asset minus its CDO Asset Initial Amount.

"**Aggregate Funded Spread**" means the sum of:

(a) in the case of each Floating Rate CDO Asset (excluding any Impaired Asset and the unfunded amount of any revolving credit facility or delayed draw term loan) that bears interest at a spread over a LIBOR based index, (i) the stated interest rate spread on such CDO Asset above such index times (ii) the CDO Asset Amount of such CDO Asset (excluding the unfunded amount of any revolving credit facility or delayed draw term loan); and

(b) in the case of each Floating Rate CDO Asset (excluding any Impaired Asset and the unfunded amount of any revolving credit facility or delayed draw term loan) that bears interest at a spread over an index other than the LIBOR based index, (i) the excess of the sum of

such spread and such index over LIBOR as of the immediately preceding LIBOR determination date (which spread or excess may be expressed as a negative percentage) times (ii) the CDO Asset Amount of such CDO Asset (excluding the unfunded amount of any revolving credit facility or delayed draw term loan).

"**Aggregate Unfunded Spread**" means, as of any Measurement Date, the sum of the products obtained by multiplying for each revolving credit facility and delayed draw term loan (other than Impaired Assets), the commitment fee or facility fee then in effect as of such date, the unfunded amounts of each such revolving credit facility or delayed draw term loan as of such date.

"**Annualized Internal Rate of Return**" means with respect to the Class D Notes an annualized internal rate of return (IRR), calculated by the Indenture Calculation Agent using an iterative technique to solve the following equation:

$$\sum_{i=1}^{N} \frac{P_i}{(1+IRR)^{\frac{(d_i - d_1)}{365}}} = 0$$

where:
d_i = the ith Payment Date
d_1 = the Closing Date
P_i = the ith payment to or from the Class D Noteholders
N = the total number of payments to or from the Class D Noteholders

When calculating the Annualized Internal Rate of Return for the purpose of calculating the Incentive Collateral Management Fee, the Indenture Calculation Agent will take into account all interest amounts that would have been paid on the Class D Notes but for the Class D Note Additional Interest Cap.

"**Approved Structured Securities**" means any asset-backed, collateralized debt obligation, credit-linked, hybrid, repackaged, or synthetic note, certificate or loan (other than a Synthetic Security) which (a) pays interest at a floating rate based on LIBOR, and (b) meets all the other CDO Portfolio Criteria and the Purchase Criteria. A floating rate note of a single Obligor shall not be considered an "Approved Structured Security."

"**Authorized Controlling Class Representative**" means a person designated in writing by a Majority of the Holders of the Class A Notes or at such time as the initial purchaser of the Class A-1 Revolving Notes no longer holds such Class A-1 Revolving Notes, a person designated in writing by a Majority of the Holders of the Class A-2 Term Notes and delivered to the Collateral Manager and the Trustee as having the authority to give approval on behalf of the Controlling Class. Such person will remain the Authorized Controlling Class Representative until (i) such person delivers written resignation to the Trustee or (ii) the Majority Controlling Class Noteholders deliver written designation of another person as Authorized Controlling Class Representative to the Trustee and the Collateral Manager.

"**Bankruptcy Code**" means The United States Bankruptcy Code, Title II of the United States Code, as amended.

"**BAS**" means any Affiliate of the Placement Agent.

"**Basic Documents**" means the Indenture, the Collateral Management Agreement, the Collateral Administration Agreement and the Formation Documents of the Issuer.

"**Block Trade**" means any plan (a) to be completed within seven Business Days or by the end of the current Distribution Period, whichever period is shorter (in either case, measured from the earliest trade date to the latest trade date pursuant to such Block Trade), (b) specifying certain (i) CDO Assets disposed or to be disposed of in connection with such plan and the related amounts received or to be received as principal proceeds and (ii) substitute CDO Assets acquired or intended to be acquired with such amounts as a result of such plan, (c) for which the Collateral Manager believes in its reasonable business judgment such plan can be executed according to its terms; *provided* that (i) the Collateral Manager, on behalf of the Issuer, may not commence a new Block Trade prior to the completion of a Block Trade in effect; (ii) the Issuer will notify the Rating Agency of any failed Block Trade; and (iii) if, upon completion of such Block Trade, any CDO Portfolio Criteria that was not in compliance prior to such Block Trade is further out of compliance after such Block Trade, then the Collateral Manager, on behalf of the Issuer, will not be permitted to implement another Block Trade at any time thereafter unless agreed to by the Rating Agency.

"**Break Funding Amount**" means, with respect to each prepayment of the Class A-1 Revolving Notes, an amount (not less than zero) equal to the sum of (i) the product of (A) the positive difference, if any, between (I) LIBOR as of the immediately preceding LIBOR Determination Date and (II) LIBOR as of the second London Business Day prior to the date of such prepayment, (B) the amount of such prepayment and (C) a fraction, the numerator of which is the actual number of days from and including the date of such prepayment to but excluding the next succeeding Quarterly Payment Date and the denominator of which is 360 and (ii) interest accrued at the Class A Note Rate on the amount determined pursuant to clause (i) above from and including the date of the related prepayment to but excluding the date paid.

"**Business Day**" means any day other than Saturday, Sunday or any other 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 law to be closed; *provided*, *however*, that if any action is required of the Issuer in the Cayman Islands, for purposes of determining when such Issuer action in the Cayman Islands is required, the Cayman Islands will be considered in determining "Business Day."

"**CDO Asset**" means a Commercial Bank Loan (or a participation in a Commercial Bank Loan) or an Approved Structured Security designated as a CDO Asset in accordance with the terms of the Indenture. If the Issuer purchases multiple lots or participations of the same loan, each such lot or participation shall constitute a separate CDO Asset; *provided,* that any pricing information (other than the Purchase Price) shall be obtained on a loan-by-loan basis.

"**CDO Asset Amount**" means, with respect to a CDO Asset, an amount equal to the principal amount (or, in the case of a Synthetic Security, (i) the principal amount of a Synthetic Security that is in the form of a note or (ii) the notional amount of a Synthetic Security that is in the form of a swap) of a CDO Asset (whether outstanding or not) committed to be funded to the Obligor, as designated by the Collateral Manager, on behalf of the Issuer, for inclusion in the CDO Portfolio.

"**CDO Asset Initial Amount**" means, with respect to a CDO Asset, the product of its CDO Asset Amount and its CDO Asset Initial Price.

"**CDO Asset Initial Price**" means, with respect to any CDO Asset, the purchase price (expressed as a percentage of the CDO Asset Amount).

"**CDO Asset Portfolio Weighted Average Spread**" means, as of any Measurement Date, the number obtained by dividing: (i) the amount equal to the sum of (A) the Aggregate Funded Spread plus (B) the Aggregate Unfunded Spread, plus (C) the Aggregate Excess Funded Spread, by (ii) the aggregate CDO Asset Amounts of the Floating Rate CDO Assets (other than Impaired Assets and Synthetic Securities).

"**CDO Portfolio**" means the portfolio comprised of the CDO Assets.

"**CDO Portfolio Criteria**" means the investment criteria described under "*The CDO Portfolio — The CDO Portfolio Criteria*" herein.

"**Class**" means the Class A-1 Revolving Notes, the Class A-2 Term Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E-1 Notes or the Class E-2 Notes, as appropriate.

"**Class A Note Rate**" means (a) for the period from the Closing Date to, but excluding, August 8, 2013, LIBOR plus 0.30% and (b) for the period from, and including, August 8, 2013, to, but excluding, the Scheduled Maturity Date, LIBOR plus 0.60%.

"**Class A Noteholders**" means the holders of the Class A Notes at the relevant time.

"**Class A Notes Agent**" means Deutsche Bank Trust Company Americas and any successor Class A Notes Agent appointed by the Issuer pursuant to the Class A-1 Revolving Note Purchase Agreements and the Class A-2 Term Note Purchase Agreements.

"**Class B Note Rate**" means LIBOR plus 0.90%.

"**Class B Noteholders**" means the holders of the Class B Notes at the relevant time.

"**Class C Note Rate**" means LIBOR plus 1.60%.

"**Class C Noteholders**" means the holders of the Class C Notes at the relevant time.

"**Class D Note Additional Interest Cap**" means as of any date of calculation, an amount such that the Cumulative Class D Note Return calculated from the Closing Date to such calculation date does not exceed 8.00% per annum.

"**Class D Note Additional Interest Rate**" means for the period from, and including, August 8, 2013 to the Scheduled Maturity Date, 2.50%.

"**Class D Note Internal Rate of Return**" means a rate calculated by the Indenture Calculation Agent by the following formula:

$((1+(r \times 360/365))^{1/4} - 1) \times 4$

where:
r = Annualized Internal Rate of Return expressed as a decimal

The Class D Note Internal Rate of Return will generally be equivalent to the rate of return which would be realized by the Class D Noteholders on the basis of all interest paid or payable through and including the date of the calculation.

When calculating the Class D Note Internal Rate of Return for the purpose of calculating the Incentive Collateral Management Fee, the Indenture Calculation Agent will take into account all interest amounts that would have been paid on the Class D Notes but for the Class D Note Additional Interest Cap.

"**Class D Note LIBOR Internal Rate of Return**" means a rate calculated by the Indenture Calculation Agent by the following formula:

$((1+(r \times 360/365))^{1/4} - 1) \times 4$

where:

r = LIBOR Annualized Internal Rate of Return expressed as a decimal

The Class D Note LIBOR Internal Rate of Return will generally be equivalent to the rate of return which would be realized by the Class D Noteholders if all principal of the Class D Notes were invested in instruments earning LIBOR only.

"**Class D Note Rate**" means (a) for the period from the Closing Date to, but excluding, August 8, 2013, LIBOR plus 4.00% and (b) for the period from, and including, August 8, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 1.50%.

"**Class D Noteholders**" means the holders of the Class D Notes at the relevant time.

"**Class E Note Rate**" means LIBOR plus 5.00%.

"**Class E Noteholders**" means the holders of the Class E Notes at the relevant time.

"**Class E-1 Noteholders**" means the holders of the Class E-1 Notes at the relevant time.

"**Class E-2 Noteholders**" means the holders of the Class E-2 Notes at the relevant time.

"**Closing Cost Amount**" means U.S.$3,963,000.

"**Closing Date**" means July 27, 2007.

"**Code**" means the Internal Revenue Code of 1986, as amended, or any successor act thereto.

"**Collateral**" means all money, instruments and other property and rights subject or intended to be subject to the lien of the Indenture including all proceeds thereof.

"**Collateral Administration Agreement**" means the Collateral Administration Agreement, dated as of the Closing Date, by and among the Issuer, the Collateral Manager and the Collateral Administrator relating to certain functions performed by the Collateral Administrator for the Issuer and the Collateral Manager with respect to the Indenture and the Collateral, as amended from time to time.

"**Collateral Administrator**" means the Deutsche Bank Trust Company Americas and any successor appointed as Collateral Administrator pursuant to the Collateral Administration Agreement.

"**Collateral Manager**" means Deerfield Capital Management LLC and any qualifying successor thereto.

"**Commercial Bank Loan**" means (i) any loan made by a commercial bank, an investment bank, investment fund, other financial institution, or lender or any floating rate note of any of them; *provided* that any such loan is similar to those typically made to a commercial client or syndicated, sold or participated to a commercial bank or institutional loan investor or other financial institution in the ordinary course of business, (ii) any Conflict of Interest Loan, (iii) any DIP Loan, (iv) any Junior Lien Loan or (v) any Second Lien Loan.

"**Conflict of Interest Loan**" means a loan that satisfies either of the following conditions: (a) with respect to such loan (i) the Collateral Manager owns or manages more than 25% of the principal amount of the entire related loan facility at the time of the relevant vote or acquisition, and (ii) the Collateral Manager owns or manages any debt or equity securities of the obligor thereon other than such loan, or (b) the Collateral Manager or any of its officers or employees serves as an officer, director or similar fiduciary to the obligor of the loan.

"**Controlling Class**" means, at any time of determination, (a) the Class A Notes, (b) if there are no Class A Notes then outstanding, the Class B Notes, (c) if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes, (d) if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes, or (e) if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes outstanding, the Class E Notes.

"**Corporate Family Rating**" means with respect to an issuer of a CDO Asset, an Obligor in respect thereof or a guarantor that unconditionally and irrevocably guarantees such CDO

Asset, the corporate family rating (including any "senior implied rating") of such Obligor or guarantor as assigned by Moody's from time to time.

"**Corporate Trust Office**" means, with respect to the Trustee, the principal office of the Trustee which as of the date of the execution of the Indenture is located at 1761 East St. Andrew Place, Santa Ana, California 92705, Attention: CDO Business Unit – Bryn Mawr CLO II, and for the purposes of the surrender or transfer of a Note, DB Services Tennessee, 648 Grassmere Park Road, Nashville, Tennessee 37211-3658, Attention: Transfer Unit, or, in each case, at such other address as the Trustee may designate in writing from time to time by notice to the Noteholders and the Issuer, or the principal office of any successor Trustee (the address of which the successor Trustee will notify the Noteholders and the Issuer in writing).

"**Credit Agreement**" means, with respect to each CDO Asset, the note, indenture, loan, credit facility agreement or other agreement pursuant to which such CDO Asset is issued or evidenced.

"**Cumulative Class D Note Return**" means the excess, if any, of the Class D Note Internal Rate of Return over the Class D Note LIBOR Internal Rate of Return.

"**Cumulative Target**" means U.S.$38,000,000.

"**Deferred Structuring Fee**" means an amount, payable on each Quarterly Payment Date occurring from the Closing Date through and including the Quarterly Payment Date occurring in August 2013, equal to the sum of (a) for the first Quarterly Payment Date, U.S.$320,000 and, for each Quarterly Payment Date thereafter, U.S.$160,000 and (b) the sum of the products obtained for each day in the Distribution Period by multiplying the Outstanding Principal Amount of the Class A-1 Revolving Notes on such day by the Deferred Structuring Fee Rate for such day, divided by 360; *provided*, *however*, if an Event of Default described in clause (b) under "*The Indenture—Events of Default; Threshold Value Event*" occurs, the present value of amounts payable under clause (a) above, for the period from Quarterly Payment Date occurring immediately after the Threshold Value Event to the Quarterly Payment Date in August 2013, shall become due and payable in accordance with the Maturity Date Priority of Payments. For the avoidance of doubt for any Quarterly Payment Date occurring after the Quarterly Payment Date in August 2013, the Deferred Structuring Fee shall equal zero.

"**Deferred Structuring Fee Rate**" means, with respect to any day, the rate determined in accordance with the following table based on the CDO Weighted Average Spread on such day:

CDO Asset Portfolio Weighted Average Spread	Rate
Less than 2.50%	0.10%
Greater than or equal to 2.50%, but less than 2.60%	0.15%
Greater than or equal to 2.60%, but less than 3.00%	0.25%
Greater than or equal to 3.00%	0.35%

"**DIP Loan**" means a loan made to a debtor-in-possession pursuant to section 364 of the Bankruptcy Code, having the priority specified in section 364(c)(1) of the Bankruptcy Code; *provided* that each DIP Loan must either (i) have a rating by Fitch or (ii) be rated by Moody's or

S&P; *provided*, *further*, that, to the extent not prohibited by applicable confidentiality agreements, the Issuer shall provide to Fitch copies of all notices received by the Issuer with respect to any modifications of or amendments to the terms of any DIP Loan.

"**Distribution Period**" means, with respect to any Quarterly Payment Date, the period from and including the immediately preceding Quarterly Payment Date to, but excluding, such Quarterly Payment Date; *provided* that the first Distribution Period shall commence on the Closing Date and the last Distribution Period shall end on the Maturity Date; *provided further*, that the first Distribution Period with respect to (i) any Borrowing made under the Class A-1 Revolving Notes will be the period from and including the date of such Borrowing to but excluding the first Quarterly Payment Date to occur after the date on which such Borrowing is made and (ii) any Funding made under the Class A-2 Term Notes will be the period from and including the date of such Funding to but excluding the first Quarterly Payment Date to occur after the date on which such Borrowing is made; *provided*, *further*, that in the case of a prepayment of the Class A-1 Revolving Notes, the final Distribution Period with respect to the amount of such prepayment will be the period from and including the first day of the Distribution Period during which such prepayment occurs to but excluding the date of such prepayment.

"**Eligible Investments**" means investments with the following characteristics: (i) 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; (ii) publicly traded corporate debt obligations which (A) having a maturity of not more than 90 days, and (B) have ratings satisfying at least two of the following criteria: (1) at least "P1" by Moody's, (2) at least "A1" by Standard & Poor's, and (3) at least "F1" by Fitch, and have no lower rating by Moody's, Standard & Poor's or Fitch as selected by the Collateral Manager, or (iii) any money market fund or similar investment vehicle having at the time of investment therein the highest credit rating assigned by any one of Standard & Poor's, Moody's or Fitch; *provided* that (x) such fund or vehicle is formed outside the United States and is not engaged in a United States trade or business, (y) no income to be received from such fund or vehicle is or will be subject to deduction or withholding for or on account of any withholding or similar tax, and (z) the ownership of an interest in such fund or vehicle will not subject the Issuer to net income tax in any jurisdiction.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, including by the Pension Protection Act of 2006, and the regulations promulgated thereunder or any successor thereto.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

"**First Additional Release Amount**" means, for each Quarterly Payment Date, the amount specified for such Quarterly Payment Date in the following table:

Quarterly Payment Date	First Additional Release Amount
February 8, 2008	0

Quarterly Payment Date	First Additional Release Amount
May 8, 2008	0
August 8, 2008	0
November 8, 2008	200,000
February 8, 2009	400,000
May 8, 2009	600,000
August 8, 2009	800,000
November 8, 2009	1,000,000
February 8, 2010	1,200,000
May 8, 2010	1,400,000
August 8, 2010	1,600,000
November 8, 2010	1,800,000
February 8, 2011	2,000,000
May 8, 2011	2,200,000
August 8, 2011	2,400,000
November 8, 2011	2,600,000
February 8, 2012	2,800,000
May 8, 2012	3,000,000
August 8, 2012	3,200,000
November 8, 2012	3,400,000
February 8, 2013	3,600,000
May 8, 2013	3,800,000
August 8, 2013	4,000,000
November 8, 2013	4,400,000
February 8, 2014	4,800,000
May 8, 2014	5,200,000
August 8, 2014	5,600,000
November 8, 2014	6,000,000
February 8, 2015	6,400,000
May 8, 2015	6,800,000
August 8, 2015	7,200,000
November 8, 2015	7,600,000
February 8, 2016	8,000,000
May 8, 2016	8,400,000
August 8, 2016	8,800,000
November 8, 2016	9,200,000
February 8, 2017	9,600,000
May 8, 2017	10,000,000
August 8, 2017	10,400,000
November 8, 2017	10,800,000
February 8, 2018	11,200,000
May 8, 2018	11,600,000
August 8, 2018	12,000,000
November 8, 2018	12,400,000

Quarterly Payment Date	First Additional Release Amount
February 8, 2019	12,800,000
May 8, 2019	13,200,000
August 8, 2019	13,600,000

"**Fitch**" means Fitch, Inc., Fitch Ratings, Ltd. and their subsidiaries including Derivative Fitch, Inc. and any successor or successors thereto.

"**Fitch Asset Specific Recovery Rate**" means with respect to a CDO Asset, the recovery rate specified by Fitch with respect to such CDO Asset (or, in the case of a Synthetic Security, the related Reference Obligation) in accordance with the table below:

Recovery Ratings	
RR1	95%
RR2	80%
RR3	60%
RR4	40%
RR5	20%
RR6	5%

"**Fitch Rating**" of any CDO Asset (or, in the case of a Synthetic Security, the related Reference Obligation), means, as of any date of determination:

(a) for any CDO Asset other than a DIP Loan, if there is a senior unsecured rating or issuer rating of the obligor or Reference Obligor, as applicable, in question by Fitch as published in any publicly available news source, such rating;

(b) for any CDO Asset other than a DIP Loan, if the rating cannot be determined pursuant to clause (a), but there is a rating by Fitch on another obligation of the same obligor or Reference Obligor, as applicable:

(i) if such rating is on a senior secured obligation, one subcategory below such rating; or

(ii) if such rating is on a subordinated obligation, one subcategory above such rating;

(c) for any DIP Loan, the rating assigned to such DIP Loan by Fitch;

(d) if the rating of any CDO Asset (or, in the case of a Synthetic Security, the related Reference Obligation) cannot be determined pursuant to clause (a), (b) or (c) and there is a publicly available Moody's Rating or Standard & Poor's Rating, but not both, the Fitch equivalent of the rating that corresponds to the Moody's Rating or Standard & Poor's Rating (see table below), as the case may be;

(e) if the rating cannot be determined pursuant to clause (a) through (d) and there is a publicly available Moody's Rating and Standard & Poor's Rating, the Fitch equivalent of the rating that corresponds to the average of the Moody's Rating and Standard & Poor's Rating (in which case, (i) the Moody's Rating and the Standard & Poor's Rating will be converted to the corresponding Fitch equivalent ratings of the Moody's Rating and the Standard & Poor's Rating, (ii) such Fitch equivalent ratings will be converted to the corresponding Fitch Rating Factor and (iii) the average of the two Fitch Rating Factors will be calculated); or

(f) if a rating cannot be determined pursuant to clause (a) through (e) then, at the discretion of the Collateral Manager, the Collateral Manager may apply to Fitch for a Fitch private rating for the obligor, which shall then be the Fitch Rating; *provided* that if the Collateral Manager has applied to Fitch for, but has not yet received, a private rating for such obligor, then the Fitch Rating shall be: (i) while the application for such private rating is pending, the internal rating assigned to such CDO Asset by the Collateral Manager in its reasonable commercial judgment and (ii) once a private rating is received, such private rating;

provided, if any above rating is on rating watch negative or negative credit watch, the rating should be adjusted down by one sub-category. If any rating is on rating watch positive or positive credit watch, the rating should be adjusted up by one sub-category.

(Given any inconsistencies in nomenclature with regard to Standard & Poor's and Moody's, for a CDO Asset other than a DIP Loan, the Fitch Rating will always mean the equivalent to a senior implied rating or corporate credit rating).

Fitch	**Moody's Rating**	**Standard & Poor's Rating**
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-
BBB+	Baa1	BBB+
BBB	Baa2	BBB
BBB-	Baa3	BBB-
BB+	Ba1	BB+
BB	Ba2	BB
BB-	Ba3	BB-
B+	B1	B+
B	B2	B
B-	B3	B-
CCC+	Caa1	CCC+
CCC	Caa2	CCC

Fitch	Moody's Rating	Standard & Poor's Rating
CCC-	Caa3	CCC-
CC	Ca	CC
C	C	C

"**Fitch Rating Factor**" means the number corresponding to the Fitch Rating in the table below:

Fitch Rating	Fitch Rating Factor
AAA	0.19
AA+	0.57
AA	0.89
AA-	1.15
A+	1.65
A	1.85
A-	2.44
BBB+	3.13
BBB	3.74
BBB-	7.26
BB+	10.18
BB	13.53
BB-	18.46
B+	22.84
B	27.67
B-	34.98
CCC+	43.36
CCC	48.52
CCC-	62.76
CC	77
C	95
DDD-D	100

"**Fitch Recovery Rate**" means (a) the Fitch Asset Specific Recovery Rate; or (b) if the recovery rate cannot be determined pursuant to clause (a), it will be calculated in accordance with the table set forth in an exhibit to the Indenture determined by reference to the CDO Asset's (or in the case of a Synthetic Security, the Reference Obligor's) seniority and obligor's country.

"**Fitch Weighted Average Rating Factor**" means the rate (expressed as a percentage) determined by summing the products obtained by multiplying the outstanding par amount of each CDO Asset (excluding Impaired Assets) by the Fitch Rating Factor, and dividing such sum by the aggregate par amount of all CDO Assets (excluding Impaired Assets) and rounding to the nearest 0.01.

"**Fitch Weighted Average Recovery Rate**" means the rate (expressed as a percentage) determined by summing the products obtained by multiplying the outstanding par amount of

each CDO Asset (excluding Impaired Assets) by the Fitch Recovery Rate, and dividing such sum by the aggregate par amount of all CDO Assets (excluding Impaired Assets) and rounding to the nearest 0.1%.

"**Floating Rate CDO Asset**" means any CDO Asset that bears interest at a floating rate.

"**Form-Approved Synthetic Security**" means a Synthetic Security the documentation of which conforms (but for the amount and timing of periodic payments, the name of the Reference Obligation, the notional amount, the premium or coupon, the effective date, the termination date and other similarly necessary changes) to a form with respect to which the Rating Agency Condition has been satisfied.

"**Formation Documents of the Issuer**" means, with respect to the Issuer, its Memorandum and Articles of Association and Minutes of First Meeting of the Board of Directors.

"**Impaired Asset**" means with respect to (i) a CDO Asset (other than a Synthetic Security), (a) the Obligor defaults in the making of any payment when due under the CDO Asset for a period in excess of the cure period under the applicable Credit Agreement, but only until such default has been cured through the payment of all past due amounts; (b) any other event of default (as defined in the applicable Credit Agreement) that has not been waived or cured occurs and is continuing; *provided* that any such event of default with respect to a CDO Asset shall not render it an Impaired Asset if the agent or requisite lenders have initiated action to waive or cure such event of default and such event of default is waived or cured within 30 days after it first occurs; or (c) the Market Value of such CDO Asset is less than 90% of its CDO Asset Initial Amount or is less than 85% of par and (ii) with respect to a Synthetic Security, (a) the occurrence of "credit event" (as defined in the related Synthetic Security) that will, or with the passage of time will, reduce the principal amount payable to the Issuer in respect of such Synthetic Security or (b) the Synthetic Security Counterparty has defaulted in the performance of any of its payment obligations under the Synthetic Security. For the avoidance of doubt, nothing in this definition or any other provision herein relating to Impaired Assets will impose any obligation on the Collateral Manager or the Collateral Administrator to monitor or calculate the Market Value of any CDO Asset more than once per week.

"**Incentive Collateral Management Fee**" means an amount payable on each Quarterly Payment Date and the Maturity Date in accordance with the Priority of Payments (any date on which such fee is paid, an "**Incentive Collateral Management Fee Payment Date**"), equal to the product of (a) 0.01% for each 0.06% by which the Class D Note Internal Rate of Return exceeds the LIBOR Annualized Internal Rate of Return plus 4.20%, (b) the average daily aggregate CDO Asset Initial Amount for the period from (and including) the last Incentive Collateral Management Fee Payment Date (or, if no Incentive Collateral Management Fee has been paid yet, the Closing Date) to (but excluding) such Incentive Collateral Management Fee Payment Date (each such period, an "**Incentive Collateral Management Fee Period**") and (c) the actual number of days in such Incentive Collateral Management Fee Period divided by 360; *provided*, *however*, if the Collateral Manager has been removed without "cause" under the Collateral Management Agreement on or prior to such Incentive Collateral Management Fee Payment Date, any Incentive Collateral Management Fee that is payable on such Incentive

Collateral Management Fee Payment Date will be paid as follows: (i) to Deerfield, an amount equal to the product of (x) such Incentive Collateral Management Fee and (y) a fraction the numerator of which is the number of days from the Closing Date to the effective date of such resignation or removal and the denominator of which is the number of days from the Closing Date to such Incentive Collateral Management Fee Payment Date and (ii) to the successor Collateral Manager, the remaining amount of the Incentive Collateral Management Fee.

"**Independent Accountants**" means a firm of independent public accountants appointed by the Issuer, with the consent of the Placement Agent, for purposes of preparing the Tax Reports identified under "*The CDO Portfolio — Reports*," or their successor.

"**Investment Company Act**" means the Investment Company Act of 1940, as amended, and the regulations promulgated thereunder or any successor thereto.

"**Investment Letter**" means the letter to be provided by (i) an initial purchaser of the Notes on the Closing Date unless otherwise provided for in the Indenture or (ii) when required by the Indenture upon any subsequent transfer, the transferee of the Notes.

"**IRS**" means the Internal Revenue Service.

"**Issuer and Administrative Expenses**" means amounts (including indemnities) due or accrued with respect to any Quarterly Payment Date in the following order to (i) the Trustee (in all of its capacities) pursuant to the Indenture, the Collateral Administrator pursuant to the Collateral Administration Agreement and the Class A Notes Agent pursuant to the Class A-1 Revolving Note Purchase Agreements and the Class A-2 Term Note Purchase Agreements, as applicable; (ii) the Company Administrator pursuant to the Company Administration Agreement; (iii) the Rating Agency for fees and expenses in connection with any ratings of the Notes, any credit estimates or ratings of any CDO Asset and any fees and expenses for ongoing surveillance or other actions provided for under the Indenture; (iv) the Independent Accountants, agents and legal counsel of the Issuer for reasonable fees and expenses; (v) the Collateral Manager under the Collateral Management Agreement other than the Primary Collateral Management Fee, the Secondary Collateral Management Fee and the Incentive Collateral Management Fee (including, but not limited to, the fees and expenses related to any pricing service used in connection with the CDO Assets and an allocable share of the cost of one of any portfolio management databases (substantially similar to *iCDO*, *CDO Sentry* or *Wall Street Analytics*) and credit databases which are used by the Collateral Manager solely in providing services to the Issuer under the Collateral Management Agreement and not generally applicable to the Collateral Manager's business); and (vi) any other Person (including the Collateral Manager) in respect of any other fees or expenses (other than the Primary Collateral Management Fee, the Secondary Collateral Management Fee and the Incentive Collateral Management Fee) permitted under the Indenture and the documents delivered pursuant to or in connection with the Indenture and the Notes; *provided*, *however*, that Issuer and Administrative Expenses will not include (a) amounts due or accrued in respect of actions taken on or prior to the Closing Date or (b) any amounts payable in respect of the Notes.

"**Issuer Expense Cap**" means an amount on any Quarterly Payment Date (when taken together with any Issuer and Administrative Expenses of the type specified in paragraph (1) of the Quarterly Priority of Payments paid during the related Distribution Period) equal to the sum

of (x) U.S.$175,000 per annum plus (y) the greater of (i) 0.03% per annum of the CDO Asset Amount on the first day of the related Distribution Period and (ii) U.S.$40,000 per annum; *provided* that, if the amount of Issuer and Administrative Expenses paid under the Issuer Expense Cap (including any excess applied in accordance with this proviso) on the three immediately preceding Quarterly Payment Dates or during the related Distribution Periods was less, in the aggregate, than the total of the Issuer Expense Caps calculated with respect to such Quarterly Payment Dates (without regard to any excess applied in accordance with this proviso), the excess may be applied to the Issuer Expense Cap with respect to the then-current Quarterly Payment Date; *provided*, *further*, that in respect of the first three Quarterly Payment Dates from the Closing Date, such excess amount will be calculated based on the Quarterly Payment Dates preceding such Quarterly Payment Date.

"**Junior Lien Loan**" means a secured loan or floating rate note that (i) is not, and cannot by its terms become, subordinated in right of payment by its terms to unsecured indebtedness of the obligor for borrowed money (other than with respect to liquidation, trade claims, capitalized leases or other similar obligations), and which is subordinated (with respect to liquidation preferences with respect to a material portion of the pledged collateral) to another secured obligation of the obligor and (ii) is secured by a valid second priority, perfected lien or security interest on specified assets securing the obligor's obligations with respect to such loan; *provided*, *however*, that, with respect to clauses (i) and (ii) above, such right of payment, security interest or lien may be subordinate to customary permitted liens, such as, but not limited to, tax liens.

"**Leverage Factor**" means, on the date of calculation, the aggregate CDO Asset Initial Amount of the CDO Assets divided by the sum of the Outstanding Principal Amount of the Notes (less the Outstanding Principal Amount of the Class A Notes).

"**LIBOR Annualized Internal Rate of Return**" means an annualized internal rate of return (IRR), calculated by the Indenture Calculation Agent using an iterative technique to solve the following equation:

$$\sum_{i=1}^{N} \frac{P_i}{(1+IRR)^{\frac{(d_i - d_1)}{365}}} = 0$$

where:
di = the ith Payment Date
d1 = the Closing Date
Pi = the ith payment of principal to or from the Class D Noteholders and the LIBOR component of the Note Rate applicable to the Class D Notes. For the purposes of this calculation, LIBOR will be deemed to be 5.37043% for the period from the Closing Date to the first Quarterly Payment Date.
N = the total number of payments to or from the Class D Noteholders

"**Lock-Out Date**" means the first Quarterly Payment Date occurring after the sixth anniversary of the Closing Date.

"**Majority**" means, at any time of determination, with respect to any group of Notes identified by reference to one or more Classes, the Noteholders owning more than 50% of the Outstanding Principal Amount of the Notes of such group.

"**Majority Controlling Class Noteholders**" means, at any time of determination, the Noteholders owning more than 50% of the Outstanding Principal Amount of the Controlling Class.

"**Majority Noteholders**" means, at any time of determination, Noteholders owning more than 50% of the Outstanding Principal Amount of the Notes.

"**Market Value**" means, in respect of a CDO Asset, as of any relevant date of determination:

(a) the latest "bid" price for such CDO Asset determined by Markit Loans, Inc. (or a similar third-party pricing service that the Trustee (or its designee) may, in a commercially reasonable manner, select), or

(b) if, for whatever reason, no price can be so determined pursuant to clause (a) the latest "bid" price for such CDO Asset as obtained from the Collateral Manager (or its designee) on behalf of the Issuer in a commercially reasonable manner;

provided that (i) in the event that the determination of Market Value of the CDO Assets pursuant to clause (a) or (b) would result in a Threshold Value Event or in a CDO Asset being characterized as an Impaired Asset, the Market Value of one or more CDO Assets selected by the Collateral Manager, in its sole and absolute discretion, shall be determined by the Collateral Manager (or its designee) by reference to the highest bid price obtained on the relevant date of determination by the Collateral Manager (or its designee) from one or more independent broker-dealers active in the trading of such CDO Asset, which shall include BAS and (ii) if (A) the Threshold Value Measurement Amount (calculated using the Market Values determined pursuant to (a) or (b) above) exceeds the Threshold Value by an amount less than or equal to 4% of the aggregate CDO Asset Initial Amount of all of the CDO Assets in the CDO Portfolio as of the date of determination and (B) the Authorized Controlling Class Representative disputes, for whatever reason, any Market Value determined in accordance with either clause (a) or (b) above, then the Market Value of one or more CDO Assets selected by the Authorized Controlling Class Representative, in its sole and absolute discretion, shall be determined by BAS (or its designee) by reference to the highest bid price obtained on the relevant date of determination by BAS (or its designee) from one or more independent broker-dealers active in the trading of such CDO Asset, which may include BAS.

In the event BAS provides the sole bid price with respect to a CDO Asset, the Collateral Manager shall have the right, within five Business Days, to solicit and obtain bid prices from one or more independent broker-dealers active in the trading of such CDO Asset, which shall not include BAS, and the Market Value for such CDO Asset will be the greater of the highest bid price obtained in such process or the bid price provided by BAS.

Notwithstanding the foregoing, (x) in the event the Collateral Manager is unable to obtain any such bid price for such CDO Asset (including, for the avoidance of doubt, a bid price from

BAS), its Market Value will be equal to the price as originally determined in accordance with clause (a) or (b) above; and (y) this definition will be subject to change pursuant to any written agreement entered into for such purpose between the Trustee (at the direction of the Authorized Controlling Class Representative), the Issuer and the Collateral Manager, subject to satisfaction of the Rating Agency Condition, but without the consent of any other Noteholders. For the avoidance of doubt, nothing in the foregoing definition shall prohibit the Collateral Manager or an Affiliate thereof or any special purpose company, fund, trust or REIT for which the Collateral Manager provides investment advisory services from bidding on any of the CDO Assets.

"**Maturity Date**" means the earliest to occur of (i) the Scheduled Maturity Date, (ii) the date on which the remaining Notes are redeemed in whole, and (iii) the date on which the Notes are declared due and payable as a result of the occurrence of an Event of Default under the Indenture.

"**Minimum Denomination**" means (i) in the case of Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof and (ii) in the case of the Class E Notes U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof.

"**Modified Distribution Period**" means, with respect to any Quarterly Payment Date, the period from and excluding the fifth Business Day prior to the immediately preceding Quarterly Payment Date to, and including, the fifth Business Day prior to such Quarterly Payment Date; *provided* that the first Modified Distribution Period will commence on the Closing Date and the last Modified Distribution Period shall end on the Maturity Date.

"**Moody's**" means Moody's Investors Service, Inc. and any successor or successors thereto.

"**Moody's Rating**" of (i) any CDO Asset that is a DIP Loan, as of any date of determination, the rating assigned by Moody's to such DIP Loan and (ii) any CDO Asset (or, in the case of any Synthetic Security, the related Reference Obligation), other than a DIP Loan, means, as of any date of determination:

(a) if there is a Corporate Family Rating, such rating;

(b) if the rating cannot be determined pursuant to clause (a), but there is a public rating on a senior unsecured obligation of the same obligor or Reference Obligor, as applicable, such rating;

(c) if the rating cannot be determined pursuant to clauses (a) or (b), but there is a public rating on a senior secured obligation of the same obligor or Reference Obligor, as applicable, one subcategory below such rating; or

(d) if the rating cannot be determined pursuant to clause (a) through (c), but there is a public rating on a subordinated obligation of the same obligor or Reference Obligor, as applicable, one subcategory above such rating.

"**Note Amortization Period**" means the period from August 8, 2014 to the Maturity Date.

"**Note Rate**" means the Class A Note Rate, the Class B Note Rate, the Class C Note Rate, the Class D Note Rate or the Class E Note Rate, as applicable.

"**Noteholder**" means, any owner of a Note on the applicable record date as reflected on the books of the Trustee.

"**Obligor**" means, with respect to a CDO Asset, the borrower or obligor with respect thereto.

"**Opinion of Counsel**" means one or more written opinions, addressed to the Trustee, of independent outside counsel of an attorney at law admitted to practice in any state of the United States or the District of Columbia (or the Cayman Islands, in the case of an opinion relating to the laws of the Cayman Islands), who may, except as otherwise expressly provided in the Indenture, be counsel to the Issuer, the Collateral Manager or the Trustee and who shall be satisfactory to the Trustee.

"**Outstanding Principal Amount**" means the aggregate principal amount of the Notes, or any Class of Notes, outstanding as of the date of the determination (which, in the case of the Class A-2 Term Notes, shall be equal to the aggregate amount of Fundings actually paid by the Holders of the Class A-2 Term Notes to the Issuer), less any payments made in respect of the principal amount of the Notes or Class of Notes, as applicable. With respect to the Class A-1 Revolving Notes, the Outstanding Principal Amount will not include the undrawn portion of any Commitment.

"**Paying Agent**" means the Trustee or any other Person, appointed pursuant to the Indenture that meets the eligibility standards for the Trustee specified in the Indenture and is authorized by the Issuer to make the payments of amounts on the Notes on behalf of the Issuer.

"**Payment Date**" means each Quarterly Payment Date, the Maturity Date and each date on which any payment is due pursuant to an acceleration of the Notes in accordance with Article V of the Indenture.

Person" means any legal person, including, without limitation, any individual, corporation, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), limited liability company, unincorporated organization or government or any agency or political subdivision thereof or other entity of similar nature.

"**Placement Agency Agreement**" means the private placement agency agreement, between the Issuer and the Placement Agent, dated July 27, 2007.

"**Placement Agent**" means Banc of America Securities LLC.

"**Primary Collateral Management Fee**" means an amount, payable on each Quarterly Payment Date and the Maturity Date calculated for each Distribution Period, equal to the product of (a) the average daily aggregate CDO Asset Initial Amount for such Modified Distribution Period, (b) 0.225% and (c) the actual number of days in such Modified Distribution Period, divided by 360.

"**Priority of Payments**" means either the Quarterly Priority of Payments or the Maturity Date Priority of Payments, as applicable.

"**Proceeding**" means any suit in equity, action at law or other judicial or administrative proceeding.

"**Qualified Institutional Buyer**" means a "qualified institutional buyer" as defined in Rule 144A.

"**Quarterly Payment Date**" means the 8th day of each February, May, August and November commencing on February 8, 2008 (or, if any such day is not a Business Day, the next succeeding Business Day) to, and including, the Scheduled Maturity Date.

"**Rating Agency**" means Fitch or, if it is unwilling or unable to perform the functions of a Rating Agency described herein, such other nationally recognized statistical rating organization as shall be designated by the Collateral Manager as a Rating Agency.

"**Rating Agency Condition**" means, with respect to any action for which the Rating Agency Condition is required to be satisfied, that the Rating Agency then rating the Classes of Notes has not notified the Issuer in writing that such action will result in a withdrawal of its rating or the reduction of its rating for any Class of Notes to below the rating then in effect from such Rating Agency for such Class of Notes.

"**Rating Determining Party**" means, with respect to any Synthetic Security, (a) unless clause (b) applies with respect to the Synthetic Security, the related Synthetic Security Counterparty or any transferee thereof or (b) any affiliate of the related Synthetic Security Counterparty or any transferee thereof that unconditionally and absolutely guarantees (pursuant to a form of guarantee that satisfies the Rating Agency Condition) the obligations of such Synthetic Security Counterparty or such transferee, as the case may be, under the Synthetic Security. For purposes of this definition, no direct or indirect recourse against one or more shareholders of a Synthetic Security Counterparty or any such transferee (or against any Person in control of, or controlled by, or under common control with, any such shareholder) shall be deemed to constitute a guarantee, security or support of the obligations of such Synthetic Security Counterparty or any such transferee.

"**Reference Obligation**" means a debt security or other obligation upon which a Synthetic Security is based.

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

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

"**Responsible Officer**" means, with respect to the Trustee (in any of its capacities), any officer within the CDO Business Unit of the Corporate Trust Office of the Trustee (or any successor group of the Trustee), including any vice president, assistant vice president, trust officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and

familiarity with the particular subject and having direct responsibility for the administration of the Indenture.

"**Rule 144A**" means Rule 144A promulgated under the Securities Act.

"**Scheduled Maturity Date**" means August 8, 2019, or if such date is not a Business Day, the first Business Day thereafter.

"**Second Additional Release Amount**" means, for each Quarterly Payment Date, the amount specified for such Quarterly Payment Date in the following table:

Quarterly Payment Date	Second Additional Release Amount
February 8, 2008	(5,000,000)
May 8, 2008	(6,500,000)
August 8, 2008	(8,000,000)
November 8, 2008	(3,525,000)
February 8, 2009	(3,050,000)
May 8, 2009	(2,575,000)
August 8, 2009	(2,100,000)
November 8, 2009	(1,625,000)
February 8, 2010	(1,150,000)
May 8, 2010	(675,000)
August 8, 2010	(200,000)
November 8, 2010	275,000
February 8, 2011	750,000
May 8, 2011	1,225,000
August 8, 2011	1,700,000
November 8, 2011	2,175,000
February 8, 2012	2,650,000
May 8, 2012	3,125,000
August 8, 2012	3,600,000
November 8, 2012	4,075,000
February 8, 2013	4,550,000
May 8, 2013	5,025,000
August 8, 2013	5,500,000
November 8, 2013	6,175,000
February 8, 2014	6,850,000
May 8, 2014	7,525,000
August 8, 2014	8,200,000
November 8, 2014	8,875,000
February 8, 2015	9,550,000
May 8, 2015	10,225,000
August 8, 2015	10,900,000
November 8, 2015	11,575,000
February 8, 2016	12,250,000

Quarterly Payment Date	Second Additional Release Amount
May 8, 2016	12,925,000
August 8, 2016	13,600,000
November 8, 2016	14,275,000
February 8, 2017	14,950,000
May 8, 2017	15,625,000
August 8, 2017	16,300,000
November 8, 2017	16,975,000
February 8, 2018	17,650,000
May 8, 2018	18,325,000
August 8, 2018	19,000,000
November 8, 2018	19,675,000
February 8, 2019	20,350,000
May 8, 2019	21,025,000
August 8, 2019	21,700,000

"**Second Lien Loan**" means a secured loan or floating rate note that (i) is not, and cannot by its terms become, subordinated in right of payment by its terms to secured indebtedness of the obligor for borrowed money (other than with respect to liquidation, trade claims, capitalized leases or other similar obligations), and which is subordinated (with respect to liquidation preferences with respect to a material portion of the pledged collateral) to another secured obligation of the obligor and (ii) is secured by a valid second priority, perfected lien or security interest on specified assets securing the obligor's obligations with respect to such loan; *provided*, *however*, that, with respect to clauses (i) and (ii) above, such right of payment, security interest or lien may be subordinate to customary permitted liens, such as, but not limited to, tax liens.

"**Secondary Collateral Management Fee**" means an amount, payable on each Quarterly Payment Date and the Maturity Date in accordance with the Priority of Payments, calculated for each Distribution Period, equal to the product of (a) the average daily aggregate CDO Asset Initial Amount for such Modified Distribution Period, (b) 0.275% and (c) the actual number of days in such Modified Distribution Period, divided by 360.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**SERVES**" means the Notes.

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor or successors thereto.

"**Standard & Poor's Rating**" of (i) any CDO Asset that is a DIP Loan, as of any date of determination, the rating assigned by Standard & Poor's to such DIP Loan and (ii) any CDO Asset (or, in the case of any Synthetic Security, the related Reference Obligation), other than a DIP Loan, means, as of any date of determination:

(a) if there is a Standard & Poor's issuer credit rating of the issuer of or obligor or Reference Obligor, as applicable, on such CDO Asset or the guarantor who unconditionally and

irrevocably guarantees such CDO Asset, then the Standard & Poor's Rating of such issuer, or the guarantor, shall be such rating;

(b) if the rating cannot be determined pursuant to clause (a), but there is a public rating on a senior unsecured obligation of the same obligor or Reference Obligor, as applicable, such rating;

(c) if the rating cannot be determined pursuant to clauses (a) or (b), but there is a public rating on a senior secured obligation of the same obligor or Reference Obligor, as applicable, one subcategory below such rating; or

(d) if the rating cannot be determined pursuant to clause (a) through (c), but there is a public rating on a subordinated obligation of the same obligor or Reference Obligor, as applicable, one subcategory above such rating.

"**Synthetic Security**" means (i) any credit default swap contract (including a credit-linked note) with respect to which the Issuer provides credit protection to a Synthetic Security Counterparty with respect to one or more Reference Obligations related to a single obligor (or its Affiliates) and with respect to which the Rating Agency Condition has been satisfied and (ii) any Form-Approved Synthetic Security; *provided* that (a) holding such Synthetic Security will not subject the Issuer to net income tax or cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. Federal income tax purposes (provided that satisfaction of the Purchase Criteria shall be deemed to be compliance with this clause (a)) and (b) no amounts receivable by the Issuer from the Synthetic Security Counterparty will be subject to withholding tax, unless the issuer thereof or the obligor thereon is required to make additional payments sufficient to cover any withholding tax imposed at any time on payments made to the Issuer with respect thereto.

"**Synthetic Security Counterparty**" means, an entity required to make payments to the Issuer on a Synthetic Security to the extent a Reference Obligor makes payments on a related Reference Obligation, which counterparty satisfies the Synthetic Security Counterparty Ratings Requirement.

"**Synthetic Security Counterparty Ratings Requirement**" means a requirement which will be satisfied if either (a)(i) either (A) the unsecured, unguaranteed and other unsupported long-term senior debt obligations of the Rating Determining Party with respect to the related Synthetic Security Counterparty are rated at least "Aa3" by Moody's (and, if rated "Aa3," such rating is not on watch for possible downgrade) and no short-term rating is available from Moody's, or (B)(1) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of the Rating Determining Party with respect to the related Synthetic Security Counterparty are rated at least "A1" by Moody's (and, if rated "A1," such rating is not on watch for possible downgrade) and (2) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Rating Determining Party are rated at least "P-1" by Moody's (and, if rated "P-1," such rating is not on watch for possible downgrade) and (ii) either (A) the unsecured, unguaranteed and otherwise unsupported senior long-term debt obligations of the Rating Determining Party with respect to the related Synthetic Security Counterparty are rated at least "AA-" by S&P, (B) the unsecured, unguaranteed and otherwise unsupported short-term

debt obligations of the Rating Determining Party with respect to the related Synthetic Security Counterparty are rated "A-1+" by S&P, or (C) the unsecured, unguaranteed and otherwise unsupported senior long-term debt obligations of the Rating Determining Party with respect to the related Synthetic Security Counterparty are rated at least "A+" by S&P or (b) if, within 30 days after the Synthetic Security Counterparty (and its guarantor) fails to satisfy the criteria set forth in clause (a) above (or, if the Synthetic Security Counterparty is rated below "BBB+" by S&P and its short-term rating is below "A-2" by S&P, within ten days of such failure), the Synthetic Security Counterparty either (A) posts cash or collateral in an amount that satisfies the Rating Agency Condition, (B) assigns or transfers all of its rights and obligations to a counterparty that satisfies the criteria set forth in (a) above, as applicable, or (C) causes an entity who satisfies the criteria set forth in clause (a) above to issue in favor of the Issuer a guarantee, letter of credit or credit support annex that satisfies the Rating Agency Condition.

"**Tax Counsel"** means Jones Day.

"**Telerate Page 3750**" means the display designated Page "3750" of the Telerate Service of Bridge Information Services (or any successor service thereto) (or such other page as may replace that page on that service (or successor service) for the purposes of displaying London interbank offered rates of major banks).

"**Threshold Value**" means (a) from the Closing Date to and including August 8, 2013, an amount equal to the lesser of (i) 6.6667% of the aggregate CDO Asset Initial Amount of all of the CDO Assets in the CDO Portfolio as of the date of determination and (ii) U.S.$24,000,000; and (b) thereafter, an amount equal to 6.6667% of the aggregate CDO Asset Initial Amount of all of the CDO Assets in the CDO Portfolio as of the date of determination.

"**Threshold Value Event**" means the occurrence, determined on the Thursday of each week using the most recent available price information, of the following: (a) the Market Value of the CDO Assets and the fair market value of Eligible Investments held in the Principal Collateral Account, the Interest Collateral Account and each of the Synthetic Security Counterparty Accounts (together with any cash therein), minus (b) the sum of amounts accrued and payable pursuant to paragraphs (1) through (6) of the Maturity Date Priority of Payments assuming such Thursday were the Maturity Date, is less than (c) the Threshold Value.

"**Threshold Value Measurement Amount**" means an amount, determined on the Thursday of each week using the most recent available price information as of the close of business on the immediately preceding Wednesday, of the following: (a) the Market Value of the CDO Assets and the fair market value of Eligible Investments held in the Principal Collateral Account, the Interest Collateral Account and each of the Synthetic Security Counterparty Accounts (together with any cash therein), minus (b) the sum of amounts accrued and payable pursuant to (1) through (6) of the Maturity Date Priority of Payments assuming such Thursday were the Maturity Date.

"**Transaction Counsel**" means Jones Day, as New York counsel to the Issuer; Maples and Calder, as Cayman Island counsel to the Issuer; and Sonnenschein Nath & Rosenthal LLP, as counsel to the Trustee.

"**Transaction Expenses**" means (a) the fees and expenses of Transaction Counsel, (b) the fees of the Rating Agency, (c) the expenses of the Collateral Manager related to the initial offering of the SERVES and the Warehousing Agreement to the extent not otherwise Transaction Expenses hereunder, (d) the fees and expenses of Banc of America Securities LLC, as structuring and placement agent, (e) the initial fees and expenses of Maples Finance Limited, including those incurred in connection with the organization of the Issuer, (f) the initial acceptance fee of the Trustee, and (g) other expenses associated with the issuance of the SERVES, in each case in connection with the transactions contemplated by the Basic Documents.

"**Trustee**" means Deutsche Bank Trust Company Americas, a New York banking corporation organized under the laws of the State of New York and any qualifying successor thereto.

"**Withholding Tax Event**" means a new, or change (including in interpretation) in any, U.S. or foreign tax statute, treaty, regulation, rule, ruling, governmental procedure or judicial decision or interpretation thereof which results in any portion of any payment due from any Obligor (including any Synthetic Security Counterparty) under any CDO Asset becoming properly subject to the imposition of U.S. or foreign withholding tax, which withholding tax is not fully compensated for by a "gross-up" provision under the terms of the related CDO Asset, and such a tax or taxes amount, in the aggregate, to 5% or more of the aggregate interest payments on all of the CDO Assets during the related Distribution Period.

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